

May 4, 2017

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Appendix A

**Toronto Conference,
The United Church of Canada
Financial Statements**

For the year ended December 31, 2016

May 4, 2017

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Appendix A

Toronto Conference, The United Church of Canada
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Independent Auditors' Report

To the Members of Toronto Conference, The United Church of Canada:

We have audited the accompanying financial statements of Toronto Conference, The United Church of Canada, which comprise the statement of financial position as at December 31, 2016, the statements of operations, changes in fund balances and cash flows for the year then ended, and 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.

Auditors' 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 auditors' 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 auditors consider 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.

Opinion

In our opinion, the financial statements present fairly in all material respects, the financial position of Toronto Conference, 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.

Mississauga, Ontario

May 4, 2017

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

May 4, 2017

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Appendix A

Toronto Conference, The United Church of Canada
Statement of Financial Position

As at December 31, 2016

| In \$ | 2016 | 2015 |
|---|------------------|-----------|
| Assets | | |
| Current Assets | | |
| Cash | 1,003,612 | 6,557,930 |
| Short-term investments (Note 4) | 1,165,611 | 687,747 |
| HST receivable | 128,585 | 75,509 |
| Assessments receivable | 87,778 | 79,230 |
| Prepaid expenses and other assets | 25,368 | 24,769 |
| | 2,410,954 | 7,425,185 |
| Capital assets (Note 5) | 237,985 | 209,947 |
| Long-term investments (Note 6) | 196,635 | 452,067 |
| | 2,845,574 | 8,087,199 |
| Liabilities | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities (Note 10) | 380,389 | 353,425 |
| Due to the Presbyteries of Toronto Conference Corporation (Note 10) | - | 851,358 |
| Due to the Mission and Service Endowment Fund, The United Church of Canada Foundation (Note 10) | 40,430 | 40,430 |
| Due to The United Church of Canada Archives (Note 10) | - | 275,650 |
| | 420,819 | 1,520,863 |
| Commitments (Note 7) | | |
| Subsequent events (Note 13) | | |
| Fund Balances (Note 8) | | |
| General Fund | (635,770) | (241,014) |
| Properties Under Administration | (365,333) | (293,160) |
| Presbytery Funds | 739,300 | 951,660 |
| Other Restricted Funds | 2,686,558 | 6,148,850 |
| | 2,424,755 | 6,566,336 |
| | 2,845,574 | 8,087,199 |

Approved on behalf of the Toronto Conference Executive

President

Executive Secretary

The accompanying notes form part of the financial statements

Toronto Conference, The United Church of Canada

Statement of Operations

For the year ended December 31, 2016

| In \$ | General Fund | Properties Under Administration | Presbytery Funds <i>(Note 8)</i> | Other Restricted Funds <i>(Note 8)</i> | Total |
|---|------------------|---------------------------------------|--|---|--------------------|
| Revenue | | | | | |
| Assessments | 1,386,340 | - | - | - | 1,386,340 |
| Presbyteries of Toronto Conference Corp. grants | - | - | 395,380 | - | 395,380 |
| Investment income | 92,466 | - | - | - | 92,466 |
| Other income | 68,745 | 132,903 | 295,330 | 76,888 | 573,866 |
| | 1,547,551 | 132,903 | 690,710 | 76,888 | 2,448,052 |
| Expenses | | | | | |
| Salaries | 1,151,198 | - | 448,526 | - | 1,599,724 |
| Conference office | 320,299 | - | - | - | 320,299 |
| Distributions to UCC related organizations | - | - | 177,195 | 3,327,116 | 3,504,311 |
| Committees | 40,033 | - | 243,317 | - | 283,350 |
| Annual and other meeting costs | 79,604 | - | 25,727 | - | 105,331 |
| Archives, Insight, and Avel | 89,941 | - | - | - | 89,941 |
| Other expenses | - | 5,331 | 140,809 | 212,064 | 358,204 |
| Property costs | 92,450 | 199,745 | - | - | 292,195 |
| Amortization | 36,278 | - | - | - | 36,278 |
| | 1,809,803 | 205,076 | 1,035,574 | 3,539,180 | 6,589,633 |
| Deficiency of revenue over expenses | (262,252) | (72,173) | (344,864) | (3,462,292) | (4,141,581) |

The accompanying notes form part of the financial statements

Toronto Conference, The United Church of Canada

Statement of Operations

For the year ended December 31, 2015

| In \$ | General Fund | Properties Under Administration | Presbytery Funds <i>(Note 8)</i> | Other Restricted Funds <i>(Note 8)</i> | Total |
|---|-----------------|---------------------------------------|--|---|-----------|
| Revenue | | | | | |
| Assessments | 1,359,150 | - | - | - | 1,359,150 |
| General Council grant <i>(Note 10)</i> | 272,932 | - | - | - | 272,932 |
| Presbyteries of Toronto Conference Corp. grants | - | - | 437,180 | - | 437,180 |
| Investment income | 20,049 | - | - | - | 20,049 |
| Other income | 71,566 | 1,701,536 | 355,920 | 1,100,597 | 3,229,619 |
| | 1,723,697 | 1,701,536 | 793,100 | 1,100,597 | 5,318,930 |
| Expenses | | | | | |
| Salaries | 1,124,153 | - | 440,026 | - | 1,564,179 |
| Conference office | 305,014 | - | - | - | 305,014 |
| Distributions to UCC related organizations <i>(Note 10)</i> | - | - | 51,680 | 551,641 | 603,321 |
| Committees | 36,267 | - | 270,402 | - | 306,669 |
| Annual and other meeting costs | 87,772 | - | 27,134 | - | 114,906 |
| Archives, Insight, and Avel | 87,480 | - | - | - | 87,480 |
| Other expenses | - | 5,635 | 196,153 | 141,694 | 343,482 |
| Property costs | 93,989 | 214,156 | - | - | 308,145 |
| Amortization | 39,647 | - | - | - | 39,647 |
| | 1,774,322 | 219,791 | 985,395 | 693,335 | 3,672,843 |
| Excess (deficiency) of revenue over expenses | (50,625) | 1,481,745 | (192,295) | 407,262 | 1,646,087 |

The accompanying notes form part of the financial statements

Toronto Conference, The United Church of Canada

Statement of Changes in Fund Balances

For the year ended December 31, 2016

| In \$ | Balance, beginning of year | Interfund transfers <i>(Note 9)</i> | Revenue for the year | Expenses/ disbursements for the year | Balance, end of year |
|---|----------------------------------|---|-------------------------|--|-------------------------|
| General Fund | (241,014) | (132,504) | 1,547,551 | 1,809,803 | (635,770) |
| Properties Under Administration | | | | | |
| Dunkerron United Church | 65,771 | - | - | 2,027 | 63,744 |
| Wilmar Heights United Church | (261,432) | - | 121,443 | 185,658 | (325,647) |
| Glen Ayr United Church | (93,434) | - | 11,460 | 14,473 | (96,447) |
| Newton Robinson United Church | (4,065) | - | - | 2,918 | (6,983) |
| | (293,160) | - | 132,903 | 205,076 | (365,333) |
| Presbytery Funds | | | | | |
| Living Waters | (32,428) | 33,126 | 281,465 | 305,532 | (23,369) |
| Northern Waters | 297,652 | 33,126 | 169,261 | 215,115 | 284,924 |
| South West | 237,769 | 33,126 | 129,644 | 268,098 | 132,441 |
| Toronto Southeast | 448,667 | 33,126 | 110,340 | 246,829 | 345,304 |
| | 951,660 | 132,504 | 690,710 | 1,035,574 | 739,300 |
| Other Restricted Funds | | | | | |
| <u>Externally restricted</u> | | | | | |
| Learning | - | (5,550) | 6,500 | 950 | - |
| <u>Internally restricted</u> | | | | | |
| Conference | 3,421,421 | (267,021) | 70,388 | 538,230 | 2,686,558 |
| Leadership Development and New Ministries | 2,727,429 | 272,571 | - | 3,000,000 | - |
| | 6,148,850 | - | 76,888 | 3,539,180 | 2,686,558 |
| | 6,566,336 | - | 2,448,052 | 6,589,633 | 2,424,755 |

The accompanying notes form part of the financial statements

Toronto Conference, The United Church of Canada**Statement of Changes in Fund Balances***For the year ended December 31, 2015*

| In \$ | Balance, beginning of year | Interfund transfers | Revenue for the year | Expenses/ disbursements for the year | Balance, end of year |
|---|----------------------------------|------------------------|-------------------------|--|-------------------------|
| General Fund | (109,841) | (80,548) | 1,723,697 | 1,774,322 | (241,014) |
| Properties Under Administration | | | | | |
| Dunkerron United Church | 67,899 | - | - | 2,128 | 65,771 |
| Wilmar Heights United Church | (183,453) | - | 98,660 | 176,639 | (261,432) |
| Glen Ayr United Church | (97,045) | - | 17,045 | 13,434 | (93,434) |
| Iondale Heights United Church | (53,585) | (1,508,721) | 1,585,831 | 23,525 | - |
| Newton Robinson United Church | - | - | - | 4,065 | (4,065) |
| | (266,184) | (1,508,721) | 1,701,536 | 219,791 | (293,160) |
| Presbytery Funds | | | | | |
| Living Waters | 61,187 | 32,637 | 208,806 | 335,058 | (32,428) |
| Northern Waters | 276,991 | 32,637 | 236,246 | 248,222 | 297,652 |
| South West | 182,150 | 32,637 | 228,995 | 206,013 | 237,769 |
| Toronto Southeast | 493,079 | 32,637 | 119,053 | 196,102 | 448,667 |
| | 1,013,407 | 130,548 | 793,100 | 985,395 | 951,660 |
| Other Restricted Funds | | | | | |
| <u>Externally restricted</u> | | | | | |
| Learning | 136 | - | 6,500 | 6,636 | - |
| <u>Internally restricted</u> | | | | | |
| Church development | 297,396 | (287,396) | - | 10,000 | - |
| Conference | 1,943,069 | 1,060,954 | 1,094,097 | 676,699 | 3,421,421 |
| Contingency | 422,287 | (422,287) | - | - | - |
| Property maintenance | 161,271 | (161,271) | - | - | - |
| Sabbatical | 190,000 | (190,000) | - | - | - |
| Leadership Development and New Ministries | 1,268,708 | 1,458,721 | - | - | 2,727,429 |
| | 4,282,867 | 1,458,721 | 1,100,597 | 693,335 | 6,148,850 |
| | 4,920,249 | - | 5,318,930 | 3,672,843 | 6,566,336 |

The accompanying notes form part of the financial statements

Toronto Conference, The United Church of Canada

Statement of Cash Flows

For the year ended December 31, 2016

| In \$ | 2016 | 2015 |
|--|--------------------|------------------|
| Cash provided by (used for) the following activities | | |
| Operating activities | | |
| Excess (deficiency) of revenue over expenses for the year, all funds | (4,141,581) | 1,646,087 |
| Adjustments for non-cash items: | | |
| Amortization | 36,278 | 39,647 |
| | (4,105,303) | 1,685,734 |
| Changes in non-cash working capital items | | |
| HST receivable | (53,076) | 106,040 |
| Assessments receivable | (8,548) | (42,660) |
| Prepaid expenses | (599) | (21,517) |
| Accounts payable and accrued liabilities | 26,964 | 73,941 |
| | (4,140,562) | 1,801,538 |
| Investing activities | | |
| Net change in short-term investments | (477,864) | 33,045 |
| Net change in long-term investments | 255,432 | 122,468 |
| Purchase of capital assets | (64,316) | - |
| Decrease in note receivable | - | 50,000 |
| | (286,748) | 205,513 |
| Financing activities | | |
| Net change in amounts due to other church organizations | (1,127,008) | 597,711 |
| Increase (decrease) in cash | (5,554,318) | 2,604,762 |
| Cash, beginning of year | 6,557,930 | 3,953,168 |
| Cash, end of year | 1,003,612 | 6,557,930 |

The accompanying notes form part of the financial statements

1. Purpose of the organization and financial statement presentation

These financial statements include only the assets, liabilities, revenue, expenses and cash flows under the administration of Toronto Conference, The United Church of Canada (the "Conference"). The Conference provides administrative and limited financial services to Presbyteries and manages church properties under its administration. The Conference is a registered charitable organization and is, therefore, not subject to income taxes.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO") set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, which are part of Canadian generally accepted accounting principles, and include the following significant accounting policies:

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Conference, the accounts are maintained on a fund accounting basis. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Executive Committee.

Several funds are maintained including the General Fund, internally restricted funds and externally restricted funds.

The General Fund is used to account for all revenues and expenses related to general and ancillary operations of the Conference.

The purposes of the restricted funds are described in Note 8.

Revenue recognition

The Conference uses the restricted fund method of accounting for contributions. Restricted contributions are recognized as revenue when received in the fund to which they relate. Where there is not a fund for the restricted contributions they are recognized as revenue of the General Fund as the related expenses are incurred.

Unrestricted revenue is recognized in the General Fund. Revenue received with restrictions is recorded in the fund to which it relates. All revenues are recorded on an accrual basis when the amount is known and collection reasonably assured.

Assessments and the General Council grant pertain to a certain period of time and are recorded as revenue over that period of time.

Use of estimates

The preparation of financial statements in conformity with ASNPO 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.

Receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property and equipment.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess (deficiency) of revenues and expenses in the periods in which they become known.

Investments

Guaranteed investment certificates, including the long-term note receivable, are recorded at amortized cost. Interest income is recognized as interest accrues using the effective interest rate method. The effective interest rate is the rate that discounts the estimated future cash flows over the expected life of the financial instrument back to the net carrying amount of the financial asset. Equities and high interest savings accounts are measured at fair value.

2. Significant accounting policies (continued)

Financial instruments

The Conference recognizes its financial instruments when the Conference becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying value or exchange amount in accordance with CPA Canada Handbook 3840 Related Party Transactions.

At initial recognition, the Conference may irrevocably elect to subsequently measure any financial instrument at fair value. The Conference has not made such an election during the year.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenue over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at their amortized cost or cost.

The Conference's financial assets and liabilities consist of cash, accounts receivable, due from church organizations, investments, notes and assessment receivables, due to church organizations and accounts payable and accrued liabilities. Generally, where the terms to maturity are short, the carrying amount approximates their fair value. The fair value of investments disclosed is based on quoted market values. Cash and equity investments are subsequently measured at their fair value, while the other financial assets and liabilities are subsequently measured at their amortized cost.

Capital assets

Capital assets are recorded at cost. Amortization is calculated using the methods set out below applied to the cost of the assets, at annual rates based on their estimated useful lives as follows:

| Asset | Rate | Method |
|---------------------------------|---------------|---------------|
| Office equipment | 20% | straight-line |
| Computer equipment and software | 33% | straight-line |
| Leasehold improvements | term of lease | straight-line |

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets are measured and amortized as described in the applicable accounting policies.

The Conference performs impairment testing on long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset, or group of assets, may not be recoverable. The carrying amount of a long-lived asset is not recoverable if the carrying amount exceeds the sum of the undiscounted future cash flows from its use and disposal. If the carrying amount is not recoverable, impairment is then measured as the amount by which the assets' carrying amount exceeds its fair value.

Contributed services

Contributions of services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the services are used in the normal course of the Conference's operations and would otherwise have been purchased.

Volunteers contribute significant time to assist the Conference in carrying out its mandate. Due to the difficulty in determining their fair value, these contributed services are not recognized in the financial statements.

3. Unconsolidated not-for-profit subsidiaries

The Conference has the legal authority to approve the appointment of directors for a number of not-for-profit organizations and in so doing may exercise control over them. Practically, this is considered an administrative function and the Conference does not exercise control.

The financial results of these organizations have not been consolidated with those of the Conference in accordance with ASNPO 4450. These organizations follow accounting policies consistent with those of the Conference. The summary financial information for the two organizations most significant to the Conference, The Presbyteries of Toronto Conference Corporation and The Toronto United Church Council, are presented below. Note that as at the report date, it is impracticable to obtain financial information for the two organizations as at December 31, 2016. As a result, the financial information below comprises years ended December 31, 2015 and 2014.

The Presbyteries of Toronto Conference Corporation

The Presbyteries of Toronto Conference Corporation ("PTCC") was incorporated without share capital under the laws of Ontario to receive and administer capital contributions from United Church congregations of Founding Presbyteries, as defined in the by-laws of PTCC, arising primarily from proceeds upon the disposition of property following realignment or termination of ministries. Such contributions are determined by the Founding Presbyteries or the Conference, and may include specific limitations as to use. PTCC is a registered charity under the Income Tax Act, Canada and is exempt from income tax.

| In \$ | 2015 | 2014 |
|--|-------------------|------------|
| Financial Position | | |
| Total assets | 12,391,150 | 12,965,628 |
| Total liabilities | 61,423 | 204,094 |
| Net assets | 12,329,727 | 12,761,534 |
| Results of Operations | | |
| Total revenues | 783,469 | 1,388,329 |
| Total expenses | 1,215,276 | 1,368,010 |
| Excess (deficiency) of revenue over expenses | (431,807) | 20,319 |
| Cash Flows | | |
| Cash from operations | (523,535) | (119,829) |
| Cash from investing | 496,002 | 155,296 |
| Increase (decrease) in cash | (27,533) | 35,467 |

3. Unconsolidated not-for-profit subsidiaries (continued)***The Toronto United Church Council***

The Toronto United Church Council ("TUCC") works with the church community to connect resources with ministry, offering access to professional advice, financial support, and leadership development. TUCC is incorporated under the Ontario Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

| In \$ | 2015 | 2014 |
|---------------------------------|--------------------|------------|
| Financial Position | | |
| Total assets | 41,324,750 | 38,116,668 |
| Total liabilities | 11,978,735 | 9,321,228 |
| Net assets | 29,346,015 | 28,795,440 |
| Results of Operations | | |
| Total revenues | 2,432,989 | 5,866,485 |
| Total expenses | 1,603,039 | 1,677,787 |
| Excess of revenue over expenses | 829,950 | 4,188,698 |
| Cash Flows | | |
| Cash from operations | 13,750 | 713,574 |
| Cash from investing | (3,154,833) | 85,368 |
| Cash from financing | 2,705,625 | 181,665 |
| Increase in cash | (435,458) | 980,607 |

4. Short-term investments

| In \$ | 2016 | 2015 |
|--|------------------|---------|
| Fixed-income investments, maturing at various dates between May and September 2017, interest rates average 3.05% | 248,064 | 120,000 |
| Equities | 365,112 | 186,087 |
| High interest savings | 531,787 | 366,102 |
| Accrued interest | 20,648 | 15,558 |
| | 1,165,611 | 687,747 |

5. Capital assets

| In \$ | | | 2016 | 2015 |
|---------------------------------|----------------|---------------------------------|-----------------------|-----------------------|
| | <i>Cost</i> | <i>Accumulated Amortization</i> | <i>Net Book Value</i> | <i>Net Book Value</i> |
| Office equipment | 121,830 | 116,908 | 4,922 | 11,575 |
| Computer equipment and software | 77,146 | 65,782 | 11,364 | 4,989 |
| Leasehold improvements | 564,293 | 342,594 | 221,699 | 193,383 |
| | 763,269 | 525,284 | 237,985 | 209,947 |

6. Long-term investments

| In \$ | 2016 | 2015 |
|--|----------------|---------|
| Fixed-income investments, maturing in March 2018, interest rates average 3.71% | 181,585 | 425,078 |
| Accrued interest | 15,050 | 26,989 |
| | 196,635 | 452,067 |

7. Commitments

The Conference has entered into a lease agreement for its premises, expiring in September 2018. The annual minimum lease payments over the next two years are as follows:

| | |
|--------------|---------------|
| 2017 | 40,800 |
| 2018 | 30,600 |
| <u>Total</u> | <u>71,400</u> |

8. Fund balances

General fund

This unrestricted fund reflects the day to day operations of the Conference.

Externally restricted funds:

Learning

General Council has provided funds to the Conference to assist learning initiatives and generate Mission and Service Fund revenue within the church. The Learning fund was closed during the year, and the remaining funds were transferred to the Conference fund, with the permission of General Council.

Properties under administration

From time to time, the Conference receives funds from the sale of property. From the funds, all costs incurred related to the property (including property management, legal fees, realtor costs, and any distribution directed by the congregation) are recouped from the proceeds. The remaining funds are disbursed per the Conference's property policy.

Internally restricted funds:

Conference

The purpose of the fund is to support Presbyteries incurring legal expenses from appeals or formal hearings, and extraordinary needs as determined by the Executive. During the year the objectives of the Conference fund were revised and expanded to encompass the activities of the Sabbatical, Property Maintenance and Contingency funds. The balances of those funds were transferred to Conference and those funds were closed.

Of the fund, \$100,000 is earmarked to support supervised ministry education. In addition, \$50,000 is earmarked for right relations work, and \$75,000 for the explorers project to assist young people who may wish to enter the ministry. The fund will be replenished from the proceeds of sale of church property. The maximum fund balance is capped at \$3,000,000 or such higher amount as the Executive determined.

8. Fund balances (continued)**Leadership Development and New Ministries**

The purpose of this fund is to support new ministries and leadership development initiatives through providing grant-based funding. The maximum fund balance is capped at \$3,000,000 or such higher amount as the Executive determined. The Leadership Development and New Ministries fund was closed during the year, and the maximum fund balance of \$3,000,000 was paid to PTCC who will administer the fund going forward. The shortfall in the fund balance was funded by the Conference fund.

Presbytery funds

Effective July 1, 2009, the Conference and presbyteries were reorganized and the former nine presbyteries were merged into four new presbyteries. The new presbyteries, Living Waters, Northern Waters, South West and Toronto Southeast, commenced operations as part of the Conference.

As part of the restructuring that took place in 2009, each of the new presbyteries has been structured into a fund for purposes of tracking revenue and expenses. An annual amount is transferred from the General fund to each Presbytery fund where it may be used at each presbytery's discretion.

The Northern Waters Presbytery fund balance includes \$76,129 (2015 – \$214,111) remaining from the proceeds of sale of Kleinburg United Church.

The Toronto Southeast Presbytery fund balance includes \$15,971 (2015 – \$62,988) remaining for area ministries.

9. Interfund transfers

Significant transfers between funds during the year were as follows:

- Transfers totalling \$132,504 (2015 - \$130,548) from General fund to the four Presbytery funds to fund current operations.
- Transfer of \$5,550 from the Learning fund to the Conference fund to close that fund.
- Transfer of \$272,571 from the Conference fund to the Leadership Development and New Ministries fund to partially fund the payment of \$3,000,000 to PTCC out of that fund, as described in Note 8.

10. Related party transactions

Inherent in the Conference's operations are numerous dealings with related parties either over which the Conference can exercise control or that are members of The United Church of Canada (UCC).

The Conference is part of UCC which makes available certain administrative services to Conference on a shared cost basis. Grant revenue from the General Council of UCC of \$nil (2015 - \$272,932) is received for regular operating purposes as the Conference may determine. The annual grant has been eliminated in 2016.

From time to time, the Conference manages properties while awaiting sale of those properties. As these properties are liquidated, the proceeds are distributed according to Conference or presbytery policies.

At year end, there are balances owing to related parties. These amounts due are interest-free, unsecured, and expected to be paid within the next year. Included in accounts payable and accrued liabilities are amounts due to UCC of \$253,763 (2015 - \$201,654), and to TUCC of \$22,234 (\$26,569).

Transactions occurred in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

11. Contingencies

The United Church of Canada is party to various legal actions. The effect of any adverse judgements on the financial position of Conference is not determinable and no amount has been accrued.

12. Financial instruments

The Conference, as part of its operations, carries a number of financial instruments. It is management's opinion that the Conference is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. Changes in market interest rates may have an effect on the cash flows associated with some financial assets and liabilities, known as cash flow risk, and on the fair value of other financial assets and liabilities, known as price risk. The Conference is exposed to interest rate risk relating to investments. To minimize this risk, the Conference has invested in fixed-rate guaranteed investment certificates. It is management's opinion that fluctuations in market interest rates on these financial instruments will not have a significant impact on the Conference's operations.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or foreign currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Some of the Conference's investments expose the Conference to price risk as these investments are subject to price changes in an open market due to a variety of reasons including changes in market rates of interest, general economic indicators and restrictions on credit markets.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Conference is exposed to credit risk relating to assessments receivable and some investments. Management has assessed the credit risk associated with its financial assets to not be significant.

13. Subsequent event

On February 14, 2017, the Conference signed an Agreement of Purchase and Sale to dispose of the property of the former Glen Ayr Congregation of the United Church of Canada for \$2,530,000. The transaction is to be completed no earlier than July 3, 2017. The proceeds of disposition will be distributed amongst the funds of the Conference, and other related parties, in accordance with the Conference's policies.