

**The Presbyterian Church in
Canada**

Financial Statements
December 31, 2023



Independent auditor's report

To the Venerable General Assembly of The Presbyterian Church in Canada

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Presbyterian Church in Canada (the Church) as at December 31, 2023 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.

What we have audited

The Church's financial statements comprise:

- the statement of financial position as at December 31, 2023;
- the statement of revenues or expenses and changes in fund balances for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Church in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



In preparing the financial statements, management is responsible for assessing the Church's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Church's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Church to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 30, 2024

The Presbyterian Church in Canada

Statement of Financial Position

As at December 31, 2023

	2023	2022
	Total	Total
	\$	\$
Assets		
Current Assets		
Cash	2,448,730	4,621,871
Accounts receivable	2,509,685	2,126,790
Prepaid expenses and sundry assets	58,824	26,048
Loans/mortgages receivable (Note 3)	127,452	214,391
	<u>5,144,691</u>	<u>6,989,100</u>
Investment (Note 4)	126,763,741	109,196,484
Loans/mortgages receivable (Note 3)	1,796,799	1,871,843
Capital assets (Note 5)	1,404,645	1,386,094
Properties held for congregational use (Note 5)	1,034,366	1,469,899
Other assets	14,353	19,268
	<u>131,013,904</u>	<u>113,943,588</u>
	<u>136,158,595</u>	<u>120,932,688</u>
Liabilities		
Current Liabilities		
Accounts Payable and accrued liabilities	2,024,634	3,781,622
Undesignated Bequests	343,871	447,473
Undistributed proceeds from dissolved congregations (Note 9)	2,150,355	-
	<u>4,518,860</u>	<u>4,229,095</u>
Gift annuities payable (Note 10)	1,234,215	1,595,574
	<u>5,753,075</u>	<u>5,824,669</u>
Fund balances	130,405,520	115,108,019
	<u>136,158,595</u>	<u>120,932,688</u>

Approved by the Assembly Council



Covenor



Covenor of Finance Committee

The accompanying notes are an integral part of these financial statements.

The Presbyterian Church in Canada
Statement of Revenues and Expenses and Changes in Fund Balances
For the year ended December 31, 2023

				2023	2022
	Operating Funds	Restricted Funds	Endowment Funds	Total	Total
	\$	\$	\$	\$	\$
Revenues					
Contributions					
Presbyterians Sharing received from congregations	4,868,315	-	-	4,868,315	5,030,590
Presbyterians Sharing received from individuals	455,139	-	-	455,139	130,659
Atlantic Mission Society	41,483	-	-	41,483	-
Presbyterian World Service & Development (PWS&D)	-	2,398,851	-	2,398,851	2,756,180
Donations, bequests and gifts	216,702	4,083,202	167,772	4,467,676	1,811,614
Proceeds from dissolved congregations (Note 9)	-	4,645,037	-	4,645,037	2,209,624
	5,581,639	11,127,090	167,772	16,876,501	11,938,667
Other revenues					
Income (Loss) from investment (Note 4)	132,052	3,449,790	7,730	3,589,572	(413,605)
Unrealized Gain (Loss) from Investment (Note 4)	276,290	5,157,730	4,404,590	9,838,610	(17,655,056)
Gain on Disposals of Properties held for congregational use (Note 5)	-	3,102,792	-	3,102,792	-
Income from other sources	273,946	27,836	996,441	1,298,223	800,851
	6,263,927	22,865,238	5,576,533	34,705,698	(5,329,143)
Expenses					
Operating agencies					
General Assembly and its Council	1,149,977	-	-	1,149,977	925,445
Life & Mission Agency (Note 8)	4,600,098	-	-	4,600,098	5,092,695
Support Services	1,656,340	-	-	1,656,340	1,335,836
Presbyterian World Service & Development (PWS&D)	-	3,896,944	-	3,896,944	3,643,049
J. B. MacLean	-	-	1,152,938	1,152,938	1,001,447
	7,406,415	3,896,944	1,152,938	12,456,297	11,998,472
Distribution and other					
Fund disbursements (Note 9)	-	6,220,461	31,211	6,251,672	4,633,552
Forgiveness of Loans	-	50,000	-	50,000	-
Grants to colleges and residence	536,262	-	-	536,262	544,973
Amortization of capital assets	32,945	-	81,021	113,966	111,706
	7,975,622	10,167,405	1,265,170	19,408,197	17,288,703
Excess/(Deficiency) of revenues over expenses for the year	(1,711,695)	12,697,833	4,311,363	15,297,501	(22,617,846)
Interfund Transfers (Note 6)	1,800,000	(1,061,296)	(738,704)	-	-
Total annual movement in funds	88,305	11,636,537	3,572,659	15,297,501	(22,617,846)
Fund balance - Beginning of the year	675,496	67,972,273	46,460,250	115,108,019	137,725,865
Fund balance - End of the year	763,801	79,608,810	50,032,909	130,405,520	115,108,019

The accompanying notes are an integral part of these financial statements.

The Presbyterian Church in Canada

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess (Deficiency) of revenues over expenses for the year	15,297,501	(22,617,846)
Items not affecting cash:		
Amortization of capital assets	113,966	111,706
Fair value difference on new loans, mortgages and gift annuities (Notes 3 & 10)	102,556	149,735
Unrealized Gain (Loss) from Investments (Note 4)	(9,838,610)	17,655,056
Gain on Disposal of properties held for congregational use (Note 5)	(3,102,792)	-
Amortization of loans, mortgages receivables and gift annuities (Note 3 & 10)	287,126	45,849
Forgiveness of Loans	50,000	-
Change in non-cash working capital balances:		
Accounts receivable	(382,895)	1,034,612
Prepaid expenses, sundry and other assets	(27,861)	4,694
Accounts payable and accrued liabilities	(1,756,988)	(592,091)
Undesignated Bequests	(103,602)	53,240
Undistributed proceeds from dissolved congregations (Note 9)	(2,150,355)	-
	<u>(1,511,954)</u>	<u>(4,155,045)</u>
Investing activities		
Purchase of investments, net of redemptions	(4,300,000)	3,657,672
Additions to loans/mortgages receivable	(401,863)	(606,047)
Repayment of loans/mortgages receivable	465,665	512,076
Proceeds from disposal of properties	3,538,367	162,598
Additions to capital assets	(132,517)	(163,042)
Repayment of executive staff mortgages	-	589,156
Additions to gift annuities payable	30,000	15,000
Realization of gift annuities remainder	(297,805)	(76,657)
Payment of gift annuities, net of investment income and reserves	170,401	(490,519)
Gift annuities portion recognized by church	266,565	222,071
	<u>(661,187)</u>	<u>3,822,308</u>
Change in cash during the year	(2,173,141)	(332,737)
Cash - Beginning of the year	4,621,871	4,954,608
Cash - End of year	2,448,730	4,621,871

The accompanying notes are an integral part of these financial statements.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

1 Reporting Entity

The Presbyterian denomination in Canada consists of a General Assembly and its Assembly Council, synods, presbyteries and congregations.

The Presbyterian Church in Canada (PCC, or the Church) is an unincorporated entity doing the work of the General Assembly, the Church's national governing body. Certain assets are held by the Trustee Board of the Church (according to its incorporating legislation) on behalf of the Church. The purpose of the Church is to proclaim the love and good news of Jesus Christ through words and actions. The Church serves and provides resources to synods, presbyteries, congregations, colleges and affiliated entities across Canada and in Bermuda. The Church is a registered charity and, as such, does not pay income taxes.

These financial statements include the assets, liabilities, revenues, expenses and cash flows under the administration of the Church including the J. B. MacLean Estate (operating as Crieff Hills Community), but exclude those of the synods, presbyteries, congregations, colleges (Knox, Ewart (inactive), Presbyterian College, and St. Andrew's Hall), Women's Missionary Society, and Atlantic Mission Society, which are affiliated with, but not controlled by, the Church. Congregations, Women's Missionary Society and Atlantic Mission Society provide funding for the Church. The assets, liabilities, revenues, expenses and cash flows of the Church's pension fund are not included herein.

2 Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

Fund accounting and revenue recognition

The Church follows the restricted fund method of accounting for contributions in accordance with the ASNPO standards referred to above and are presented in the following funds:

- Operating Fund – is the fund used for day-to-day operations and it includes amounts held pending transfer to another fund, and grants made to presbyteries and congregations.
- Restricted Funds – are a group of funds that have been externally restricted by the contributor or have been internally restricted by the Church for a stated purpose.
- Endowment Funds – are a group of funds that have been externally contributed to the Church with the instruction to invest the capital in perpetuity and to use the income earned for specific purposes as outlined in the governing documents. Income earned for specific purposes on endowment funds are recognized as restricted funds. The Endowment Funds also include the assets, liabilities, revenues and expenses of the J. B. MacLean Estate.

All contributions and other income are recognized as revenue of the appropriate fund in the year received or receivable if the amount is estimable and collection is reasonably assured.

Proceeds from dissolved congregations are recorded as revenues in the Statement of Revenues and Expenses when transactions are closed, and funds are received.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

2 Summary of significant accounting policies... *Continued*

Classification of operating agencies' expenses within the Operating Fund

The Church presents its expenses on a functional allocation basis as follows:

- General Assembly and its Council – includes all expenses in connection with holding the annual General Assembly, the Assembly Council and its committees as well as some programs.
- Life & Mission Agency (LMA) – includes the expenses of substantially all the program work of the Church, which includes Canadian Ministries, International Ministries, Justice and Education programs.
- Support Services – includes the expenses of facilities and other common administrative expenses.
- Presbyterian World Service & Development (PWS&D) - includes all expenses of the operations of PWS&D to support relief, development and refugee work around the world.
- J. B. MacLean Estate - includes all expenses related to the operations of the J.B. MacLean Estate.

Capital assets

Buildings and equipment are amortized on a straight-line basis at the following rates:

Buildings	2% - 7%
Furniture and equipment	10% – 20%
Vehicles	30%
Computer hardware and software	20%
Septic and water system	3%

Improvements to buildings are amortized over the remaining useful life of the relevant building. Amortization of buildings commences when the property is ready for use and transferred from buildings under construction. The Church assesses all long-lived assets, including buildings and equipment, for impairment whenever events or changes in circumstances indicate the net carrying value of an asset exceeds the net recoverable amount.

Properties held for congregational use

Manses and properties acquired for development are recorded at cost and are written down to their recoverable value in the case of an impairment in the carrying value. They are not amortized because they are held with the expectation that they will be ultimately distributed to congregations at their carrying value.

Investment

The Church invests in a pooled investment mutual fund (fund) under the management control of The Trustee Board of the Presbyterian Church in Canada. The fund is a non-regulated fund, available only to selected investors associated with the Church and is not offered publicly for investment. The Church is deemed to have significant influence control over the mutual fund and its activities through its significant ownership in units of the fund and as it shares common Trustees. The Church accounts for its investment in the mutual fund using the equity method and presents only its net investment in the fund, based on its ownership portion of the investment net assets and investment income, expenses, gains and losses in the financial statements. Although the Church may redeem units in the fund to provide cash or liquidity for operations on an as needed basis, there is no planned redemption in the near future and thus the balance is classified as a long-term asset.

Financial instruments – recognition and measurement

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Church's designation of such instruments.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

The Church subsequently measures its significant categories of financial instruments as follows:

Cash	fair value
Accounts receivable	amortized cost
Accrued interest and dividends receivable	amortized cost
Loans/mortgages receivable	amortized cost
Executive staff mortgages receivable	amortized cost
Accounts payable and accrued liabilities	amortized cost
Gift annuities payable	fair value

Financial assets are tested for impairment at the end of each reporting period when there are indications the assets may be impaired.

Loans/mortgages receivable

These loans/mortgages are recorded initially at fair value using the effective interest method and discounted based on expected payments over the term of the agreement using a risk adjusted discount rate associated with each loan. These amounts are accreted over the life of the loans/mortgages using the amortized cost method assuming the majority of the loans/mortgages will be paid back interest free. For new loans extended during the year, the difference between the fair value and the principal balance of the loans is considered a contribution expense and included in total fund distributions under Restricted Funds in the statement of revenues and expenses and changes in fund balances.

Gift annuities payable

Gift annuity liabilities represent amounts payable under annuity agreements over various periods, generally the life of the donor. Any residual balance at the date of death is payable to the designated beneficiary within the Presbyterian denomination.

Gift annuities are recorded initially at fair value under the effective interest method and take into account the mortality of the annuitants. The fair values of the outstanding gift annuities payable are determined by the actuaries based on the Annuity 2000 Mortality Valuation Table with mortality improvement projected based on the MI2017 table published by the Canadian Institute of Actuaries. The actuaries used the Canadian asset/liability method to forecast the rate of return.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates include the valuation of properties held for congregational use and capital assets, recoverability of the loans and mortgages receivable, provision for doubtful accounts, gift annuities payable, accrued liabilities and accrued interest. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

3 Loans/mortgages receivable

	2023	2022
	\$	\$
Loans/mortgages receivable	1,924,251	2,086,234
Less: Current portion	127,452	214,391
	<u>1,796,799</u>	<u>1,871,843</u>

The Church has various lending programs available to assist congregations for capital improvements, purchase of manses, buildings and equipment. One of the programs, the Lending Fund, offers 15 year loans where interest is at 0% for the first 6 years and then 7% thereafter. If a loan is repaid by its maturity date, the interest previously paid can be used as repayment towards the loan's principal balance. These loans/mortgages are typically secured by promissory notes and/or a mortgage on the related property which bear effective interest rates ranging between 1.26% and 5.84% and are repayable over various terms.

The amortization (accretion) of the loans/mortgages for the year using the amortized cost method amounted to \$36,151 (2022 – (\$45,849)), which has been recorded as (expense) or interest earned and included in total donations, bequests and gifts under Restricted Funds in the statement of revenues and expenses and changes in fund balances.

For new loans/mortgages extended during the year, the difference between the amortized cost and principal balance of these new loans/mortgages of \$104,330 (2022 – \$149,735) is considered a contribution expense and has been included in Fund distributions under Restricted Funds in the statement of revenues and expenses and changes in fund balances.

Loans/mortgages receivable have varying maturity dates and are set out below:

2024	127,452
2025	246,930
2026	66,919
2027	84,788
2028	149,868
Thereafter	<u>1,248,294</u>
	<u>1,924,251</u>

4 Investment

	2023	2022
	\$	\$
Fixed income securities	81,538,090	71,828,741
Canadian large and medium capital equities	42,364,781	40,278,367
US equities	56,916,935	78,253,213
International equities	49,811,162	16,650,552
Cash and cash equivalents less any accrued expenses	304,446	2,293,737
	230,935,414	209,304,610
Funds attributable to unitholders external to PCC, including congregations, presbyteries, synods, and colleges	<u>(104,171,673)</u>	<u>(100,108,126)</u>
Net investment in units of the fund attributable to the Church	<u>126,763,741</u>	<u>109,196,484</u>

The above table outlines the underlying investments in the fund along with the Church's portion of the fund based on its unit holdings in the fund. The underlying investments are investments quoted in the active market and measured at fair value within the fund.

The Church's portion of the investment income (loss) for the year amounted to \$3,589,572 (2022 - (\$413,605)). The total unrealized gain (loss) for the year amounted to \$9,838,610 (2022 – (\$17,655,056)).

Of the net investment in units of fund attributable to the Church, \$17,764,996 (2022 - \$16,674,877) relates to funds that are subject to direction by other parties external to PCC.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

5 Capital assets and Properties held for congregational use

				2023	2022
	Cost	Additions / (Disposals)	Accumulated amortization	Net	Net
	\$	\$	\$	\$	\$
Operating Funds Assets					
Land	127,975	-	-	127,975	127,975
Buildings	3,819,705	-	3,605,154	214,551	239,332
Furniture and equipment	76,722	-	76,722	-	3,009
Computer hardware and software	845,383	25,771	850,540	20,614	-
	4,869,785	25,771	4,532,416	363,140	370,316
Restricted Funds Assets					
Properties held for congregational use	1,469,899	(435,533)	-	1,034,366	1,469,899
Endowment Fund assets					
J.B. MacLean Estate (Crieff Hills Community)					
Land	20,256	-	-	20,256	20,256
Buildings	2,365,201	69,973	1,672,870	762,304	743,010
Signs	9,670	960	3,752	6,878	7,936
Septic and water system	129,025	-	35,377	93,648	97,519
Furniture and equipment	468,693	16,598	364,737	120,554	120,745
Vehicles	90,835	19,215	72,185	37,865	26,312
	3,083,680	106,746	2,148,921	1,041,505	1,015,778
	9,423,364	(303,016)	6,681,337	2,439,011	2,855,993

During the year, the Church disposed of a property held for congregational use for net proceeds of \$3,538,367. The gain of \$3,102,792 is recorded in the Restricted Fund in the Statement of Revenues and Expenses.

One of the properties held for congregational use with a carrying value of \$149,518 is under a 99-year lease with the City of Toronto. The lease will expire on April 30, 2069.

6 Interfund transfers

Interfund transfers are subject to various approval requirements from management, the Assembly Council, certain synods and General Assembly for such items as:

- transfers from internally restricted funds to fund various operating requirements approved by General Assembly in advance of the operating year as a part of the budgeting process; During the year \$1,800,000 (2022 - \$1,700,000) was transferred from internally restricted funds to operating fund.
- transfers of a portion of unrestricted bequest funds received that are in excess of \$25,000, from Operating Fund to Assembly Council approved Restricted Funds;
- amounts for the repayment of interfund loans;
- financing of capital asset additions by the Operating Fund and within the Restricted Funds; and
- surplus accumulated within the Endowment Funds, above the original endowed principal amounts that have been released for use in the Restricted Funds.

PWS&D also transferred \$1,303,997 (2022 - \$1,313,612) from their Loaves and Fishes Fund in the Restricted Fund to fund their operations.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

7 Pension Plan

The Presbyterian congregations, boards, colleges and the Church (collectively, the employers) established a pension plan to provide ministers, employees and other designated individuals with retirement income. There were no significant changes to the contractual elements of the plan during the year.

Notwithstanding the fact that the pension plan is registered with Financial Services Regulatory Authority of Ontario as a single-employer plan, for the purpose of the presentation of these financial statements, the plan is treated as a contributory multi-employer defined benefit pension plan (the Plan) and is valued by an independent actuary. This Plan has been accounted for as a defined contribution plan because sufficient information is not available to apply defined benefit plan accounting. The Church recognizes the contributions required to be made under the Plan as an expense on a cash basis. Total contributions for the year amounted to \$387,438 (2022 – \$407,373).

The most recent actuarial valuation as at August 31, 2021 indicates that the multi-employer plan has a solvency deficit of \$2,880,086 and a going concern actuarial surplus of \$61,790,656.

8 Life & Mission Agency

Life & Mission Agency expenses (Operating Fund) comprise the following:

	2023	2022
	\$	\$
Canadian ministries	1,008,441	1,256,010
Regional staffing	449,000	384,045
International ministries	750,233	672,914
National Indigenous ministries	-	200,000
Stewardship	117,691	123,866
Justice ministries and other departments	243,574	210,504
Administration (all LMA programs)	2,031,159	2,245,356
	<u>4,600,098</u>	<u>5,092,695</u>

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

9 Fund Disbursements

Disbursements are paid in accordance with specific restrictions and designations. Disbursements comprise the following:

	2023	2022
	\$	\$
Dissolved Congregations	3,664,411	1,856,113
Distributions from funds under the direction of Assembly Council and LMA	1,338,636	1,419,489
Other Parties External to PCC	843,530	972,024
Scholarships, Grants, and Bursaries	274,202	343,415
Other fund disbursements	130,893	42,511
	<u>6,251,672</u>	<u>4,633,552</u>

Dissolved Congregations represents the amount distributed in accordance with the Policy for the Amalgamation or Dissolution of Congregations, and related incidental expenses. Proceeds from dissolved congregations received during the year was \$4,645,037 (2022 - \$2,209,624).

At the end of the year, \$2,150,355 (2022 - nil) distributions that have been approved but not yet distributed to Presbyteries are recorded as a current liability.

10 Gift annuities payable

	2023	2022
	\$	\$
Present value of annuities payable to annuitant	746,727	1,101,325
Present value of future administration expenses	163,101	225,167
Present value of amount expected to be paid on death to various congregations	324,387	269,082
Total actuarially determined liability	<u>1,234,215</u>	<u>1,595,574</u>
Present value of amounts expected to be paid on death to the Church	<u>466,912</u>	<u>453,097</u>

The amortization (accretion) for the year in the amount of \$250,975 (2022 - (\$66,186)) has been recorded as a contribution expense (revenue) and included in total fund distributions under Restricted Funds in the statement of revenues and expenses and changes in fund balances.

For new annuities established during the year, the difference between the fair value and the principal balance of the annuity of \$1,774 (2022 - (\$1,031)) is considered to be (expense) or contribution revenue and has been included in total donations, bequests and gifts under Restricted Funds in the statement of revenues and expenses and changes in fund balances.

For the 2023 valuation of the gift annuities, the actuaries used a revised methodology as described in educational material being published by the Canadian Institute of Actuaries. Liabilities were discounted and death benefit payment accruals were forecast using rates of return based on the illiquid curve developed by the Canadian Institute of Actuaries. Management deemed the change in accounting estimate to be immaterial to restate 2022 numbers and would have caused the total actuarial liabilities to be \$92,568 higher in 2022.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2023

11 Financial risk disclosures

The main risks the Church's investment and financial instruments are exposed to are foreign exchange risk, credit risk, liquidity risk, market risk and interest rate risk. The Investment Advisory Committee was formed by the Trustee Board of the Church as a working committee, and reviews fund managers' performance, compliance with the Statement of Investment Policies and Procedures (SIP&P) adopted by The Trustee Board, and the specific risks related to investments as listed below.

Foreign exchange risk

The Church's fund holds 24.6% (2022 – 37.4%) of its investments in the United States and 21.6% (2022 – 8%) in international markets and, therefore, is subject to foreign exchange risk. The fund managers operate under a detailed SIP&P and are expected to manage this type of risk.

Credit risk

Credit risk is the risk one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Financial instruments that potentially subject the Church to credit risk consist principally of cash and accounts receivable.

The Church is exposed to credit risk on accounts receivable from congregations, presbyteries and synods. The Church has adopted a credit policy that includes the analysis of the financial position of its potential debtors. The Church's management also reviews the credit limits of its existing debtors regularly.

The fund's investments are subject to credit risk and this is managed by the fund managers by investing in investment grade instruments. The Church's cash is maintained at a major financial institution; therefore, the Church considers the risk of non-performance of these instruments to be remote.

Liquidity risk

Liquidity risk is the risk the Church will encounter difficulty in meeting the obligations associated with its financial liabilities. The Church is exposed to liquidity risk mainly with respect to its accounts payable and accrued liabilities and gift annuities payable. The Church believes it has a normal liquidity risk given the composition of its accounts payable and accrued liabilities as well as its positive working capital.

Market risk

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of the Church. The Church is exposed to fair value fluctuations on its fund investments (Note 4).

Interest rate risk

The loans/mortgages receivable and fixed income securities bear interest at a fixed rate and as such are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates.

12 Commitment

The Presbyterian Church in Canada's national office and archives will move from 50 Wynford Drive, Toronto to 300 Bloor Street West, Toronto when the construction of a new building has been completed, expected to be in 2026. The Church has negotiated a contract with the United Church of Canada for the terms and conditions of the arrangement; however, certain financial commitments are dependent on completion of the building and therefore it is not possible to make a final determination on any financial commitments attributed to the Church.

13 Comparative information

Certain comparative information has been reclassified to conform with the financial statement presentation adopted for the current year.