

**INVESTING IN MINISTRY FUND
(THE TORONTO UNITED CHURCH COUNCIL)**

**Financial Statements
Year ended December 31, 2019**

Investing in Ministry Fund (The Toronto United Church Council)
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December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Directors of
The Toronto United Church Council

Opinion

We have audited the financial statements of Investing in Ministry Fund (The Toronto United Church Council), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in net assets, operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, and its results of its operations and its cash flows for the year then ended in accordance with accounting standards for not-for-profit organizations (ASNPO).

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 are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management and Directors are responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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.

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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.

INDEPENDENT AUDITOR'S REPORT

- ♦ 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 Fund'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 Fund'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 Fund 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.

Adams & Miles LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
April 30, 2020

INVESTING IN MINISTRY FUND (THE TORONTO UNITED CHURCH COUNCIL)

Statement of Financial Position

December 31, 2019

	2019	2018
Assets		
Current		
Cash	\$ 193,341	\$ 417,645
Accounts and interest receivable	54,186	27,506
Marketable securities (Note 3)	4,784,928	6,790,172
Current portion of mortgages and notes receivable (Note 4)	3,885,924	1,374,388
	8,918,379	8,609,711
Mortgages and notes receivable (Note 4)	4,625,772	3,954,700
Due from The Toronto United Church Council fund (Note 5)	8,269	8,997
	13,552,420	12,573,408
Liabilities		
Current		
Accounts payable and accrued liabilities (Note 6)	290,662	32,427
Current portion of participants' balances (Notes 6 and 7)	812,500	200,000
	1,103,162	232,427
Participants' balances (Notes 6 and 7)	12,305,617	12,597,206
	13,408,779	12,829,633
Net assets	\$ 143,641	\$ (256,225)
Net assets represented by:		
Unrealized gain (loss) on marketable securities	\$ 487,400	\$ (214,604)
Undistributed net assets	(343,759)	(41,621)
	\$ 143,641	\$ (256,225)

Approved on behalf of the Board:

W. S. Gernyn

Director

[Signature]

Director

INVESTING IN MINISTRY FUND (THE TORONTO UNITED CHURCH COUNCIL)

Statement of Changes in Net Assets

Year ended December 31, 2019

	Unrealized gain (loss)	Undistributed net assets	2019	2018
Balance, beginning of year	\$ (214,604)	\$ (41,621)	\$ (256,225)	\$ 173,571
Excess (deficiency) of revenue over expenditures	702,004	210,789	912,793	(231,234)
Distributions to participants (Note 6)	-	(512,927)	(512,927)	(198,562)
Balance, ending of year	\$ 487,400	\$ (343,759)	\$ 143,641	\$ (256,225)

INVESTING IN MINISTRY FUND (THE TORONTO UNITED CHURCH COUNCIL)

Statement of Operations

Year ended December 31, 2019

	2019	2018
Revenue		
Unrealized gain (loss) on marketable securities	\$ 702,004	\$ (1,324,345)
Mortgage interest	257,846	175,340
Marketable securities investment income	218,049	312,291
Promissory notes interest	9,193	28,156
Gain (loss) on foreign exchange	(7,828)	14,745
Realized gain (loss) on marketable securities	(187,117)	649,579
	992,147	(144,234)
Expenditures		
Portfolio fees	64,045	71,353
Audit	8,300	8,451
Legal	4,306	2,500
Administration	2,703	4,696
	79,354	87,000
Excess (deficiency) of revenue over expenditures	\$ 912,793	\$ (231,234)

INVESTING IN MINISTRY FUND (THE TORONTO UNITED CHURCH COUNCIL)**Statement of Cash Flows**

Year ended December 31, 2019

	2019	2018
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenue over expenditures	\$ 912,793	\$ (231,234)
Adjustments for:		
Realized gain (loss) on marketable securities	187,117	(649,579)
Unrealized gain (loss) on marketable securities	(702,004)	1,324,345
	397,906	443,532
Change in		
Accounts and interest receivable	(26,680)	(728)
Accounts payable and accrued liabilities	258,235	(508,760)
Due from The Toronto United Church Council fund	728	(18,229)
	630,189	(84,185)
Investing activities		
Proceeds on disposal of marketable securities	5,167,767	6,377,896
Purchase of marketable securities	(2,647,635)	(4,854,283)
Principal repayments net of mortgages and notes advances	(3,182,608)	(370,940)
	(662,476)	1,152,673
Financing activities		
Contributions to participants' balances	566,910	235,000
Redemptions from participants' balances	(246,000)	(510,218)
Distribution to participants	(512,927)	(198,562)
	(192,017)	(473,780)
Change in cash	(224,304)	594,708
Cash (margin loan), beginning of year	417,645	(177,063)
Cash, end of year	\$ 193,341	\$ 417,645

Investing in Ministry Fund (The Toronto United Church Council)

Notes to Financial Statements

Year ended December 31, 2019

1. Nature of operations

The Investing in Ministry Fund ("Fund") is a fund of The Toronto United Church Council ("Council"). Its purpose is to invest funds loaned by congregations and individuals on a fixed long-term basis of no less than five years and to fund development initiatives of other congregations and mission units of The United Church of Canada. The Fund was established in 2001.

2. Summary of significant accounting policies

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management and Directors to make estimates and assumptions that affect the reporting amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures during the year. Significant estimates include non-performing mortgages written off. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in the Statement of Operations in the year in which they become known.

Marketable securities

Marketable securities are recorded at fair value. Fair values are referenced to published price quotations in an active market at year-end.

Transaction costs and investment fees are expensed when incurred.

Mortgages and notes receivable

Mortgages and notes are granted with varying terms and are carried at their face amount less provision for uncollectibility.

Revenue recognition

Investment income includes dividends and interest income as well as realized and unrealized investment gains and losses. Interest income, dividends and realized and unrealized gains and losses are recorded as revenue when earned.

Investing in Ministry Fund (The Toronto United Church Council)

Notes to Financial Statements

Year ended December 31, 2019

2. Summary of significant accounting policies - cont'd

Financial Instruments

The Fund initially measures its financial assets and financial liabilities at fair value.

The Fund subsequently measures its financial assets and financial liabilities at amortized cost, except for investments quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized in the Statement of Operations.

Financial assets measured at amortized cost consist of cash, accounts and interest receivable and mortgages and notes receivable.

Financial liabilities measured at amortized cost include margin loan, accounts payable and accrued liabilities and participants' balances.

Foreign currency translation

The Fund's foreign currency operations are translated using the current rate method. Under this method, foreign denominated monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Revenue and expenditures are translated at the rates of exchange in effect at their transaction dates. Exchange gains or losses arising on the translation are included in the statement of operations.

3. Marketable securities

	2019 Market Value	2019 Book Value	2018 Market Value	2018 Book Value
Equity securities and equity based index and mutual funds	\$ 2,716,384	\$ 2,231,133	\$ 3,625,485	\$ 3,571,403
Fixed income funds	2,068,544	2,110,104	3,164,687	3,477,083
	\$ 4,784,928	\$ 4,341,237	\$ 6,790,172	\$ 7,048,486

The Fund holds investment accounts that allow it to borrow on margin temporarily at an annual interest rate of 4.70% for Canadian dollars and 5.50% for US dollars (2018 - 4.70% for Canadian dollars and 6.25% for US dollars). As at year-end, \$Nil (2018 - \$Nil) was drawn against this facility.

Investing in Ministry Fund (The Toronto United Church Council)

Notes to Financial Statements

Year ended December 31, 2019

4. Mortgages and notes receivable

	2019	2018
Promissory notes receivable with interest at rates of 4.00% to 4.04% (2018 - 4.00% to 4.04%) per annum, repayable in blended monthly payments; maturing between January 2020 and November 2024; and	\$ 810,820	\$ 844,486
Mortgages receivable with interest at rates of 4.00% to 4.44% (2018 - 4.00% to 4.44%) per annum, repayable in blended monthly payments; maturing between January 2020 and November 2022.	7,700,876	4,484,602
	8,511,696	5,329,088
Less current portion	3,885,924	1,374,388
Due beyond one year	\$ 4,625,772	\$ 3,954,700

Certain non-performing mortgages held by the Council have been written off in prior years and are repayable only in the event that the properties are sold or the mission unit ceases operations or leaves The United Church of Canada. These mortgages are on eleven properties (Alpha House, Davenport-Perth, Fred Victor Mission, Massey Centre for Women, Korean United Church of Brampton, Northwest Barrie United Church, Onnuri Korean United Church, Thorncliffe Park United Church, Toronto Chinese United Church, Wasaga Beach United Church and New Hope United Church) totaling \$7,000,422 (2018 - \$7,000,422). The fair market value of these properties has not been determined.

5. Due from The Toronto United Church Council fund

Due from The Toronto United Church Council fund represents amounts due from the Council's Operating Fund. Receivables from the Council's Operating Fund represent the expenses paid by Investing in Ministry Fund on behalf of the Operating Fund. Payables to the Council's Operating Fund represent the expenses paid by the Council's Operating Fund on behalf of Investing in Ministry Fund.

Investing in Ministry Fund (The Toronto United Church Council)

Notes to Financial Statements

Year ended December 31, 2019

6. Related party transactions

Accounts payable and accrued liabilities include \$34,092 (2018 - \$Nil) payable to the Council's Restricted and Endowment Funds representing the distribution payable for the fourth quarter of the year.

The participants' balances include loans from the Restricted and Endowment Funds of the Council in the amount of \$1,704,601 (2018 - \$1,704,601). Distributions paid on these balances totaled \$68,184 (2018 - \$25,569) paid to the Restricted and Endowment Funds of the Council.

7. Participants' balances

The participants' balances are loaned to and invested by the Fund on a fixed long-term basis for the purpose of funding development initiatives of other congregations and mission units of The United Church of Canada. The participants include congregations and individuals and loans are for a term of ten years or longer but may be called in on the fifth anniversary and subsequent anniversaries, conditional upon 180 days written notice to the Fund.

The Council has issued as security to each participant a promissory note providing for the guarantee of the earnings payment schedule as chosen and for the repayment of the total investment loan amount at the maturity date of the loan term.

The Council also has provided to each participant a general security agreement which is a floating charge against all assets of the Council.

The current portion of the participants' balances represents redemption commitments for the next fiscal year.

Total committed repayments are as follows:

2020	812,500
2021	712,417
2022	1,359,782
2023	3,057,179
2024	1,414,000
Subsequent years	5,762,239
	<hr/>
	\$ 13,118,117

Investing in Ministry Fund (The Toronto United Church Council)

Notes to Financial Statements

Year ended December 31, 2019

8. Financial instruments

The Fund is exposed to the following risks in respect of certain of the financial instruments held:

(a) Interest rate risk

The Fund is exposed to interest rate risk with respect to its mortgages and notes receivable and certain of its marketable securities.

(b) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Fund is exposed to credit risk with respect to its accounts and interest receivable and mortgages and notes receivable to the extent that debtors do not meet their obligations. The Council places its cash with high credit quality institutions.

(c) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund has currency risk exposure as a result of the following assets being denominated in foreign currencies:

	USD	CAD
Cash	\$ 16,951	\$ 22,002
Marketable securities	2,131,981	2,767,312

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund is exposed to market risk as it has equity investments in publicly traded securities which are subject to price changes in the open market.

9. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's financial statement presentation.

Investing in Ministry Fund (The Toronto United Church Council)

Notes to Financial Statements

Year ended December 31, 2019

10. Subsequent events

Subsequent to the year-end, economic uncertainties have arisen as a result of the COVID-19 coronavirus pandemic. The spread of this virus has caused business disruptions. The related financial impact and duration of this disruption cannot be reasonably estimated at this time.

Subsequent to the year-end, the Board of Directors approved a motion to offer the deferral of scheduled principal repayments of the mortgages and notes receivable for a period of 6 months, effective May 1, 2020. It is uncertain how many borrowers will elect to defer any or all the principal payments during the deferral period.