

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

RECOMMENDATIONS

There are no recommendations.

REPORT

To the Venerable, the 142nd General Assembly:

The Presbyterian Church Building Corporation (the corporation) originated with individual Presbyterians in congregations, sessions, presbyteries, synods and General Assembly. In 1968, General Assembly created the corporation as a separate corporate entity to fulfill the mandate as guarantor of loans given by General Assembly to the corporation and was amalgamated with prior synod corporations. The corporation thankfully acknowledges its origins and faithfully fulfills the mandate. Continuity with its origins is maintained by directors and employees of the corporation who are Presbyterians and members of congregations, sessions, presbyteries and synods.

In 1968, Letters Patent were granted to the corporation. The corporation was incorporated, without share capital, under Part II of the Canada Corporations Act, and the corporation is registered as a charity under the Income Tax Act. In 2011, the Canada Not-For-Profit Corporations Act (the NFP Act) came into force and replaced Part II of the Canada Corporations Act, and the corporation was required to continue under the NFP Act, a mandatory legal requirement. In 2014, during the annual meeting of the corporation, directors and members of the corporation agreed unanimously to continue the corporation under the NFP Act, and accordingly, transition of the corporation to the NFP Act occurred as of March 28, 2014.

The following are the directors of the corporation:

The Rev. Margaret W. Bell, Corunna, Ontario
Dr. Mary E. Brabston, Winnipeg, Manitoba
Judge Jamie S. Campbell, Halifax, Nova Scotia
Mr. Neil F. Coutts, Mississauga, Ontario
The Rev. Dr. Stephen C. Farris, Vancouver, British Columbia
Mr. Alex R. Grant, Calgary, Alberta
Ms. Sheila H. Limerick, Toronto, Ontario
The Rev. Dr. Basil C. Lowery, Fredericton, New Brunswick
The Rev. Ian A. Ross-McDonald, Toronto, Ontario
The Rev. Dr. J.P. (Ian) Morrison, Scarborough, Ontario
Mr. David Phillips, Uxbridge, Ontario
Mr. Siegfried Quickert, Scarborough, Ontario (Chairman)
The Rev. Shalini Rajack-Sankarlal, Ajax, Ontario
The Rev. Matthew Sams, Thornhill, Ontario
Mr. Kenneth Sheward, Beamsville, Ontario
Ms. Sandra Steadman, Beaconsfield, Quebec
Mr. Thomas H. Thomson, Toronto, Ontario
Ms. Nancy Thornton, Toronto, Ontario
The Rev. Thomas G. Vais, Thornhill, Ontario
Mr. Kenneth Wilson, Saskatoon, Saskatchewan
Mr. Leslie G. Young, Edmonton, Alberta

The corporation continues to fulfill its mission of Christian charitable activities by providing assistance with housing to nine retired servants of the church and also by providing assistance with church building and renovation projects to 15 congregations, with five loan applications approved during the year, for the following congregations:

St. Andrew's Presbyterian Church, Moncton, New Brunswick
Trafalgar Presbyterian Church, Oakville, Ontario
Arabic Presbyterian Church, Montreal, Quebec
Calvin Presbyterian Church, Abbotsford, British Columbia
Wellspring, Presbyterian Church, Prince Edward Island

We are pleased to congratulate Forbes Church in Grande Prairie, Alberta, and Chapel Place in Markham, Ontario, both of which retired their loans during the year.

As at December 31, 2015, the financial statements of the corporation were audited by KPMG LLP Chartered Accountants and the auditors' report thereon is unqualified. Administration and management of the affairs, business, and operations of the corporation were attended to daily by the General Manager. The General Manager also serves as Co-ordinator, Lending Services, for The Presbyterian Church in Canada. During 2015, nine loan applications were approved for processing through the Lending Fund of the church.

We also wish to note the retirement this year, of Mr. Thomas H. Thomson, who has served with distinction as a director of the corporation for 36 years. During that time he also served as chairman and as a member of the executive committee, always providing insightful advice and counsel in his quiet and humble manner. We thank him for his extraordinary contribution and wish him well.

Siegfried Quickert
Chairman

William B. Collier
General Manager

Financial Statements of

**THE PRESBYTERIAN CHURCH
BUILDING CORPORATION**

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Members of The Presbyterian Church Building Corporation

We have audited the accompanying financial statements of The Presbyterian Church Building Corporation, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising 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 our 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, we 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 The Presbyterian Church Building Corporation as at December 31, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants

March 18, 2016
Toronto, Canada

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

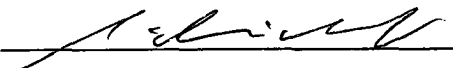

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Cash	\$ 197,082	\$ 231,831
Investments (note 2)	4,848,047	4,802,125
Residential properties (note 3)	284,584	284,584
	\$ 5,329,713	\$ 5,318,540
Liabilities and Net Assets		
Liabilities:		
Accrued liabilities	\$ 39,876	\$ 41,018
Promissory notes payable (note 4)	293,300	338,300
	333,176	379,318
Net assets:		
Invested in residential properties	284,584	284,584
Restricted for endowment purposes (note 5)	197,421	197,421
Internally restricted (note 5)	827,018	881,210
Unrestricted	3,687,514	3,576,007
	4,996,537	4,939,222
Contingent liabilities (note 6)		
	\$ 5,329,713	\$ 5,318,540

See accompanying notes to financial statements.

On behalf of the Board:

 Director
 Director

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Investment income (note 2)	\$ 246,214	\$ 571,730
Rental	16,500	16,500
Donations	–	50,000
	262,714	638,230
Expenditures:		
Salaries and benefits	116,581	120,915
Housing expenses and rent subsidies	47,838	55,754
Professional fees	13,538	29,449
General Manager travel	7,106	–
Interest on promissory notes	6,269	8,000
Directors travel	5,864	3,868
Office and other	5,512	5,165
Annual meeting	2,691	2,180
	205,399	225,331
Excess of revenue over expenditures	\$ 57,315	\$ 412,899

See accompanying notes to financial statements.

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Invested in residential properties	Restricted for endowment purposes (note 5)	Internally restricted (note 5)	Unrestricted	Total	
					2015	2014
Net assets, beginning of year	\$ 284,584	\$ 197,421	\$ 881,210	\$ 3,576,007	\$ 4,939,222	\$ 4,526,323
Excess of revenue over expenditures	-	-	-	57,315	57,315	412,899
Internally imposed restrictions (note 5)	-	-	(54,192)	54,192	-	-
Net assets, end of year	\$ 284,584	\$ 197,421	\$ 827,018	\$ 3,687,514	\$ 4,996,537	\$ 4,939,222

See accompanying notes to financial statements.

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenditures	\$ 57,315	\$ 412,899
Items not involving cash:		
Unrealized gain on investments of consolidated portfolio of the Presbyterian Church in Canada	(86,948)	(392,921)
Investment income reinvested	(158,974)	(178,318)
<u>Change in non-cash operating items</u>	<u>(1,142)</u>	<u>(13,938)</u>
	(189,749)	(172,278)
Financing:		
Repayment of promissory notes payable	(45,000)	(96,019)
Investments:		
<u>Withdrawals of investments</u>	<u>200,000</u>	<u>400,000</u>
Increase (decrease) in cash	(34,749)	131,703
Cash, beginning of year	231,831	100,128
<u>Cash, end of year</u>	<u>\$ 197,082</u>	<u>\$ 231,831</u>

See accompanying notes to financial statements.

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Notes to Financial Statements

Year ended December 31, 2015

The Presbyterian Church Building Corporation (the "Corporation") was incorporated without share capital under the Canada Corporations Act and was continued under the Canada Not-for-profit Corporations Act in March, 2015. Its principal functions include the issuance of guarantees to a financial institution which funds loans to congregations for capital purposes and financial assistance with housing for retired servants of The Presbyterian Church in Canada. The Corporation is classified as a charitable organization under the Income Tax Act (Canada). The Corporation is exempt from income taxes under provisions related to not-for-profit corporations, provided certain requirements under the Income Tax Act (Canada) are met.

1. Significant accounting policies:

These financial statements have been prepared in accordance with the Canadian Accounting Standards for Not-For-Profit Organizations ("ASNPO") in Part III of the Chartered Professional Accountants of Canada Handbook.

(a) Revenue recognition:

Investment and rental income are recognized on the accrual basis. Donations are recognized when received.

Endowment contributions are recognized as direct increases in net assets.

(b) Financial instruments:

Financial instruments, other than investments, are recorded at fair value on initial recognition and are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

The carrying values of cash and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these financial instruments or because they are receivable or payable on demand. Promissory notes payable are recorded at amounts that approximate their fair values given interest approximates current market rates.

Investments are stated at fair value. In determining fair values, adjustments have not been made for transaction costs as they are not considered significant. The unrealized gain or loss on investments, being the difference between cost and fair value, is included in investment income in the statement of operations.

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Residential properties:

Residential properties are recorded at cost and consist of land and buildings. Amortization is not provided on the buildings. Office furniture and equipment are expensed in the year of purchase.

(d) 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year. Actual amounts could differ from those estimates.

2. Investments:

Investments in the consolidated portfolio of The Presbyterian Church in Canada have characteristics of diversity and quality to comply with investment guidelines and benchmark yields and consist of the following:

	2015	2014
Short-term notes and bankers' acceptances	1%	5%
Canadian bonds:		
Government	24%	21%
Corporate	20%	19%
Pooled funds	3%	3%
Canadian equities	19%	23%
Foreign equities	33%	29%
	100%	100%

Investment income consists of the following:

	2015	2014
Bank interest	\$ 292	\$ 491
Investment income	158,974	178,318
Change in value of consolidated portfolio of The Presbyterian Church in Canada	86,948	392,921
	\$ 246,214	\$ 571,730

THE PRESBYTERIAN CHURCH BUILDING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2015

3. Residential properties:

	2015	2014
Guelph	\$ 87,075	\$ 87,075
Tillsonburg	141,153	141,153
Saint John	56,356	56,356
	\$ 284,584	\$ 284,584

4. Promissory notes payable:

Promissory notes payable bear interest at approximately 2% (2014 - 2%) per annum and are due as follows:

	2015	2014
2015	\$ –	\$ 131,000
2016	90,000	90,000
2017	43,300	43,300
2018	30,000	30,000
2019	44,000	44,000
2020	86,000	–
	\$ 293,300	\$ 338,300

5. Restrictions on net assets:

The Corporation defines its capital as the amounts included in its net asset balances. The Corporation's objective when managing its capital is to safeguard the Corporation's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to its stakeholders. A portion of the Corporation's capital is restricted.

(a) Restricted for endowment purposes:

	2015	2014
Penman Estate	\$ 100,000	\$ 100,000
Charles Brine are restricted for use in Alberta only	40,000	40,000
Giollo Kelly	57,421	57,421
	\$ 197,421	\$ 197,421

THE PRESBYTERIAN CHURCH BUILDING CORPORATION
Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Restrictions on net assets (continued):

(b) Internally restricted:

	2015	2014
Max Bell Foundation	\$ 191,433	\$ 191,433
Deferred maintenance	25,000	25,000
Reserve for guaranteed bank loans	610,585	664,777
	\$ 827,018	\$ 881,210

Under the Corporation's Guidelines as approved at the Annual Meetings on April 7, 1989, March 23, 1990 and March 22, 2013, the Corporation's directors have agreed to keep a specified reserve fund to cover 20% of the guaranteed congregational loans referred to in note 6.

The Corporation has issued guarantees in favor of a financial institution as a security for loans funded by a financial institution. The outstanding loan balances are reported as contingent liabilities (note 6). Guarantees are limited to a maximum of \$1,000,000 per congregational loan up to a combined total for the Corporation of \$10,000,000. Maximum gearing or leverage is limited to 4:1 and based on that ratio, the total of all guarantees is not to exceed four times the net assets of the Corporation.

Loans are restricted to a maximum term of 15 years, with the exception of St. David's, Campbellville, which is for 17 years. Interest on the loans is calculated dependent on the term of the loan and the prevailing rate of interest as follows:

First five years	Prime
Second five years	Prime plus 0.25%
Third five years	Prime plus 0.50%
Thereafter	Prime plus 0.50%

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2015

6. Contingent liabilities:

The Corporation has issued guarantees in favor of a financial institution, which has funded loans to the following congregations:

	Maturity date	2015	2014
Almanarah, Mississauga, Ontario	August 7, 2024	\$ 523,055	\$ 536,388
Chapel Place, Markham, Ontario	November 30, 2022	–	50,000
Cornerstone, Kleinburg, Ontario	September 20, 2021	328,397	398,397
Forbes, Grande Prairie, Alberta	October 14, 2019	–	24,407
Gale, Elmira, Ontario	January 20, 2027	300,658	300,658
Mississauga Chinese, Mississauga, Ontario	November 13, 2017	22,772	32,772
Paulin Memorial, Windsor, Ontario	December 23, 2018	31,191	51,191
St. Andrew's, Huntsville, Ontario	August 17, 2016	220,857	296,482
St. Andrew's, Moncton, New Brunswick	December 21, 2026	765,000	765,000
St. David's, Campbellville, Ontario	August 17, 2016	72,000	76,000
St. John's, Bradford, Ontario	June 16, 2019	114,200	122,200
St. Mark's, Charlottetown, Prince Edward Island	December 31, 2016	14,593	28,543
Summerside, Summerside, Prince Edward Island	July 11, 2026	27,599	34,666
Trafalgar, Oakville, Ontario	December 30, 2030	90,000	36,435
Varsity Acres, Calgary, Alberta	April 29, 2025	542,605	605,411
		\$ 3,052,927	\$ 3,358,550

7. Risk management:

Guarantees, which represent irrevocable assurances that the Corporation will make payment in the event that a congregation cannot meet its obligation to the bank, carry the same credit risk as loans.

Guaranteed amounts listed in note 6 represent the potential amount of future payments owed to a financial institution, based on the outstanding loan balances owing by the congregations at year end. Guaranteed congregational loans generally have a term of 15 years, with the exception of St. David's, Campbellville, which is for 17 years. At year end, the maturity dates of these loans ranged from August 17, 2016 to December 30, 2030. In the event the guarantee is exercised, the Corporation has legal rights and remedies, which are contained in the mortgage documents, to recover the funds paid.

THE PRESBYTERIAN CHURCH BUILDING CORPORATION

Notes to Financial Statements (continued)

Year ended December 31, 2015

7. Risk management (continued):

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risks. The Presbyterian Church in Canada has formal policies and procedures that establish target asset mix. The Presbyterian Church in Canada's policies also require diversification of investments within categories, and set limits on exposure to individual investments.

8. Comparative information:

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