

THE PRESBYTERIAN CHURCH IN CANADA
Statement of Receipts and Expenditures
For the Year Ending December 31, 2015

	2015	2015	2016	2017
	<u>Actual</u>	<u>Budget(rev)</u>	<u>Revised</u>	<u>Budget</u>
RECEIPTS				
<i>Presbyterians Sharing</i>	6,929,304	7,300,000	6,900,000	6,900,000
Budget – Individual <i>Presbyterians Sharing</i>	144,109	200,000	175,000	175,000
Income from Investments	359,773	380,000	380,000	380,000
Income from Estates	11,345	10,000	10,000	10,000
WMS Contributions	150,000	150,000	100,000	50,000
AMS Contributions	61,920	60,000	60,000	60,000
Income from Other Sources	(21,128)	75,000	50,000	50,000
Bequest Revenue	17,422	125,000	125,000	125,000
Gifts General Revenue	32,867	1,000	1,000	1,000
Total Receipts	7,685,612	8,301,000	7,801,000	7,751,000
GENERAL ASSEMBLY/ASSEMBLY COUNCIL				
General Assembly	369,908	326,110	325,800	300,000
Assembly Council/Committees	54,431	52,500	52,500	51,500
Assembly Council/Secretary's Office	646,918	619,237	623,896	646,500
Archives	10,811	18,000	18,000	16,000
Total General Assembly/Assembly Council	1,082,068	1,015,847	1,020,196	1,014,000
LIFE AND MISSION AGENCY				
Administration	2,072,859	2,286,462	2,192,962	2,141,499
Church Vocations	48,464	68,850	68,850	68,850
EFD – Stewardship/Planned Giving	76,136	119,758	119,758	119,758
Justice Ministries	62,733	65,100	65,100	65,100
Regional Staff	416,692	497,856	497,856	497,856
International Ministries	1,079,026	1,183,736	1,183,736	1,133,736
Communications	37,067	78,540	77,040	77,040
Canada Ministries/The Vine	1,690,665	1,826,912	1,821,912	1,826,912
Total Life & Mission Agency	5,483,642	6,127,214	6,027,214	5,930,751
SUPPORT SERVICES				
Administration	934,168	885,000	928,000	928,000
Human Resources	1,526	1,400	1,500	1,500
Building Maintenance	298,471	342,000	327,000	300,000
Missionary Residence	33,313	30,000	30,000	33,000
Financial Services	135,806	134,553	134,000	134,000
RDC–Sales	26,399	43,000	32,000	32,000
RDC–Resource Distribution	19,482	4,500	8,500	11,000
RDC–Printing	53,525	54,000	50,000	53,000
Sub-Total	1,502,690	1,494,453	1,511,000	1,492,500
Approved by GA – Colleges	850,000	850,000	850,000	807,000
Total Support Services	2,352,690	2,344,453	2,361,000	2,299,500
TOTAL NET EXPENDITURES	8,918,400	9,487,514	9,408,410	9,244,251
NET EXPENDITURES (IN EXCESS OF RECEIPTS)	(1,232,788)	(1,186,514)	(1,607,410)	(1,493,251)
Opening Balance Operating Fund	826,723	826,723	581,030	18,620
Purchase of Capital Assets	0	(15,000)	0	0
Net Transfer from Restricted Fund	987,095	900,500	1,045,000	1,480,000
Closing Balance Operating Fund	581,030	525,709	18,620	5,369

	2015 Actual	2015 Budget(rev)	2016 Revised	2017 Budget
Breakdown of Transfers Restricted to Operating				
From 2010/2011 College Bequest		5,500		
Transfer from Restricted Fund to Operating Fund	554,330	445,000	595,000	1,080,000
Transfer from Stabilization Fund	250,000	250,000	250,000	200,000
Transfer from New Congregation Fund	200,000	200,000	200,000	200,000
Deferred Bequests transfer to Restricted Funds	(17,235)			
	987,095	900,500	1,045,000	1,480,000

THE PRESBYTERIAN CHURCH IN CANADA
Forecast of Receipts and Expenditures
For the period 2018 to 2020

Three Year Forecast	2018	2019	2020
	\$	\$	\$
<i>Presbyterians Sharing</i>	6,700,000	6,500,000	6,300,000
Budget – Individual <i>Presbyterians Sharing</i>	175,000	175,000	175,000
Income from Investments	360,000	360,000	360,000
Income from Estates	22,000	22,000	22,000
WMS Contributions	50,000	50,000	50,000
AMS Contributions	60,000	60,000	60,000
Income from Other Sources	75,000	75,000	75,000
Bequest Revenue	125,000	125,000	125,000
Gifts General Revenue	15,000	15,000	15,000
Total Receipts	7,582,000	7,382,000	7,182,000
TOTAL ALL EXPENDITURES	7,987,251	7,967,251	7,947,251
NET EXPENDITURES IN EXCESS OF RECEIPTS	(405,251)	(585,251)	(765,251)
Opening Balance Operating Fund	5,369	290,118	394,867
Purchase of Capital Assets	(10,000)	(10,000)	(10,000)
Transfer from Restricted Fund	700,000	700,000	700,000
Closing Balance Operating Fund	290,118	394,867	319,616
Breakdown of Transfers Restricted to Operating			
transfer from NDF Fund	300,000	300,000	300,000
transfer Stabilization Fund	200,000	200,000	200,000
New Congregation Fund	200,000	200,000	200,000
	700,000	700,000	700,000

The Presbyterian Church in Canada

Financial Statements
December 31, 2015



April 27, 2016

Independent Auditor's Report

To the Venerable General Assembly of The Presbyterian Church in Canada

We have audited the accompanying financial statements of The Presbyterian Church in Canada, which comprise the statement of financial position as at December 31, 2015 and the statements of revenues and expenses, changes in fund balances, and cash flows for the year then ended and the related notes, which comprise 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.

Auditor's 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 auditor's 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 auditor considers 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Presbyterian Church in Canada as at December 31, 2015 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

The Presbyterian Church in Canada

Statement of Financial Position

As at December 31, 2015

	Operating Fund \$	Restricted Funds \$	Endowment Funds \$	
Assets				
Current assets				
Cash	576,640	4,401,236	3,174,425	
Accounts receivable	103,952	860,590	3,817	
Accrued interest and dividends receivable	-	224,285	159,754	
Prepaid expenses and sundry assets	114,183	85,656	6,671	
Loans/mortgages receivable (note 3)	-	125,912	-	
Executive staff mortgages receivable (note 4)	-	138,557	-	
	<u>794,775</u>	<u>5,836,236</u>	<u>3,344,667</u>	
Investments (note 5)	-	52,100,671	37,110,099	8
Loans/mortgages receivable (note 3)	-	1,358,233	-	
Executive staff mortgages receivable (note 4)	-	-	-	
Capital assets (note 6)	-	655,754	1,081,756	
Properties held for congregational use (note 7)	-	2,384,125	-	
Other assets	-	-	12,000	
	<u>-</u>	<u>56,498,783</u>	<u>38,203,855</u>	<u>9</u>
	<u>794,775</u>	<u>62,335,019</u>	<u>41,548,522</u>	<u>10</u>

The Presbyterian Church in Canada

Statement of Financial Position

As at December 31, 2015

	Operating Fund \$	Restricted Funds \$	Endowment Funds \$	
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 14)	213,746	1,834,374	157,571	
Gift annuities payable (note 2)	-	210,350	-	
	213,746	2,044,724	157,571	
Gift annuities payable (note 2)	-	2,179,526	-	
	213,746	4,224,250	157,571	
Fund Balances (note 9)	581,029	58,110,769	41,390,951	10
	794,775	62,335,019	41,548,522	10
Commitments (note 16)				

Approved by the Assembly Council

_____ Convenor _____ Conve

The Presbyterian Church in Canada

Statement of Revenues and Expenses

For the year ended December 31, 2015

	2015			2014	
	Operating Fund \$	Restricted Funds \$	Endowment Funds \$	Total \$	Total \$
Revenues					
Contributions					
Presbyterians Sharing received from congregations	6,929,304	-	-	6,929,304	7,330,380
Presbyterians Sharing received from individuals	144,109	-	-	144,109	579,748
Women's Missionary Society	150,000	-	-	150,000	350,000
Atlantic Mission Society	61,920	-	-	61,920	56,846
Presbyterian World Service and Development	-	3,180,134	-	3,180,134	2,741,997
Donations, bequests and gifts	61,634	2,979,063	563,320	3,604,017	6,675,993
	7,346,967	6,159,197	563,320	14,069,484	17,734,964
Other revenues					
Income from investments	359,773	3,552,305	826,670	4,738,748	8,918,390
Income from other sources	(21,128)	34,729	908,178	921,779	1,096,142
	7,685,612	9,746,231	2,298,168	19,730,011	27,749,496
Expenses					
Operating agencies					
General Assembly and its Council	1,082,068	-	-	1,082,068	958,189
Life & Mission Agency (note 12)	5,483,642	-	-	5,483,642	6,020,914
Support services	1,502,690	-	-	1,502,690	1,575,608
	8,068,400	-	-	8,068,400	8,554,711
Distributions and other					
Fund distributions (note 13)	-	7,009,997	887,708	7,897,705	8,208,027
Grants to colleges and residence	850,000	-	-	850,000	880,000
Amortization of capital assets	-	146,220	89,179	235,399	225,904
	8,918,400	7,156,217	976,887	17,051,504	17,868,642
Excess (deficiency) of revenues over expenses for the year	(1,232,788)	2,590,014	1,321,281	2,678,507	9,880,854

The Presbyterian Church in Canada

Statement of Changes in Fund Balances

For the year ended December 31, 2015

				2015	2014
	Operating Fund \$	Restricted Funds \$	Endowment Funds \$	Total \$	Total \$
Balance - Beginning of year	826,722	56,549,259	40,028,261	97,404,242	87,523,388
Excess (deficiency) of revenues over expenses for the year	(1,232,788)	2,590,014	1,321,281	2,678,507	9,880,854
Interfund transfers (note 8)	987,095	(1,028,504)	41,409	-	-
Balance - End of year	581,029	58,110,769	41,390,951	100,082,749	97,404,242

The Presbyterian Church in Canada

Statement of Cash Flows

For the year ended December 31, 2015

	2015	2014
	\$	\$
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	2,678,507	9,880,854
Items not affecting cash		
Amortization of capital assets	235,399	225,904
Fair value difference on new loans, mortgages and gift annuities (notes 2 and 3)	49,580	104,079
Change in fair market value of investments	(1,711,599)	(6,413,741)
Net accretion of loans/mortgages receivable and gift annuities (notes 2, 3 and 4)	(260,565)	(150,289)
Reversal of loan provision	-	(181,666)
Change in non-cash working capital balances		
Accounts receivable	(440,302)	594,963
Accrued interest and dividends receivable	(49,960)	(91,125)
Prepaid expenses and sundry assets	(14,381)	2,909
Accounts payable and accrued liabilities	426,931	717,618
	<u>913,610</u>	<u>4,689,506</u>
Investing activities		
Change in investments	(7,051,928)	(3,674,794)
Additions to loans/mortgages receivable	(335,520)	(515,025)
Repayment of loans/mortgages receivable	252,483	865,290
Additions to capital assets	(87,352)	(79,779)
Repayment of executive staff mortgages	3,976	13,066
Additions to gift annuities payable	140,000	495,775
Realization of gift annuities remainder	(51,769)	(174,660)
Payment of gift annuities, net of investment income	(78,785)	(57,942)
	<u>(7,208,895)</u>	<u>(3,128,069)</u>
Change in cash during the year	(6,295,285)	1,561,437
Cash - Beginning of year	<u>14,447,586</u>	<u>12,886,149</u>
Cash - End of year	<u>8,152,301</u>	<u>14,447,586</u>

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015

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 (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 and Ewart (inactive) Presbyterian College, St. Andrew's Hall), Women's Missionary Society, Atlantic Mission Society and the Presbyterian Record, which are affiliated with, but not controlled by, the Church. Congregations, Women's Missionary Society and Atlantic Mission Society provide funding for the Church. Also, 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 the Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board (AcSB).

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 may include amounts held pending transfer to another fund or 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 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. The Endowment Funds also include the assets, liabilities, revenues and expenses of the J. B. MacLean Estate.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015

All contributions and other income are recognized as revenue of the appropriate fund in the year received or receivable.

Presbyterians Sharing from congregations as at December 31, 2015, which were remitted to the Treasurer of the Church within 11 business days (2014 - 11) after year-end, have been included in revenues for the year and amounted to \$1,868,258 (2014 - \$2,212,263).

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 - includes the expenses of substantially all the program work of the Church, which includes Canada Ministries, International Ministries, Justice and Education programs.
- Support Services - includes the expenses of facilities and other common administrative expenses.

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 net realizable 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.

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, 2015

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

Cash	fair value
Investments	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.

Investments

Investments consist of a portfolio of stocks and bonds managed by independent investment managers in accordance with a statement of investment policy and procedures.

Interest earned or accrued, gains and losses realized on disposal and unrealized gains and losses from changes in fair value are included in income from investments in the statement of revenues and expenses. Financial assets are measured at fair value and transaction costs are expensed as incurred. The fair value of securities traded in an active market is the closing bid price.

Loans/mortgages receivable

These loans/mortgages are to be 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 to be 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.

Executive mortgages receivable

Executive mortgages receivable are recognized 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 mortgage. These amounts are to be accreted over the life of the mortgage using the amortized cost method. For new mortgages 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. No new loans were made in 2015.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015

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 A2000 mortality table. The actuaries used the Canadian asset/liability method to forecast the rate of return.

	2015 \$	2014 \$
Present value of annuities payable to annuitants	1,640,621	1,920,609
Present value of future administration expenses	259,302	284,190
Present value of amount expected to be paid on death to various congregations	489,953	409,441
	<hr/>	<hr/>
Total actuarially determined liability	2,389,819	2,614,240
Less: Current portion	210,350	207,855
	<hr/>	<hr/>
	2,179,526	2,406,385
	<hr/>	<hr/>
Present value of amount expected to be paid on death to the Church	589,096	445,139

The accretion for the year in the amount of \$8,021 (2014 - accretion of \$11,105) has been recorded as contribution expense and included in total fund distributions under Restricted Funds in the statement of revenues and expenses. For new annuities established during the year, the difference between the fair value and the principal balance of the annuity of \$7,207 (2014 - \$18,997) is considered to be contribution revenue and has been included in total donations, bequests and gifts under Restricted Funds in the statement of revenues and expenses.

Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount 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, 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, 2015

3 Loans/mortgages receivable

	2015 \$	2014 \$
Loans/mortgages receivable	1,484,145	1,399,840
Less: Current portion	125,912	162,611
	<u>1,358,233</u>	<u>1,237,229</u>

Loans/mortgages receivable consist of loans to congregations for the purchase of manses from the Church and for building projects. The loans for building projects are secured by promissory notes and/or a mortgage on the related property. The loans/mortgages receivable bear interest at rates ranging between 3% and 7% and are repayable over various terms.

The accretion of the loans/mortgages for the year using the amortized cost method amounted to \$58,055 (2014 - \$159,642), which has been recorded as interest earned and included in total donations, bequests and gifts under Restricted Funds in the statement of revenues and expenses. For new loans/mortgages extended during the year, the difference between the amortized cost and principal balance of these new loans/mortgages of \$56,787 (2014 - \$123,076) is considered a contribution expense and has been included in total distributions under Restricted Funds in the statement of revenues and expenses.

4 Executive staff mortgages receivable

	2015 \$	2014 \$
Executive staff mortgages receivable	138,557	142,487
Less: Current portion	138,557	16,194
	<u>-</u>	<u>126,293</u>

Mortgage to executive staff bears interest at the prescribed rate of 3.2% and is repayable over three years.

The accretion of the mortgages for the year using the amortized cost method amounted to \$46 (2014 - \$1,752), which has been recorded as interest earned and included in donations, bequests and gifts under Restricted Funds in the statement of revenues and expenses.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015**5 Investments**

	2015	2014
	\$	\$
Fixed income securities	42,365,136	36,374,918
Money market	-	1,206,883
Canadian large and medium capital equities	17,494,845	18,927,429
US equities	21,149,534	17,053,239
International equities	8,201,255	6,884,774
	<u>89,210,770</u>	<u>80,447,243</u>

The interest rates and maturity dates for fixed income securities vary from 0.75% to 9.38% and from January 1, 2018 to December 16, 2049.

6 Capital assets

	2015		
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
Restricted Funds assets			
Land	127,975	-	127,975
Buildings	3,620,863	3,220,702	400,161
Furniture and equipment	95,419	65,085	30,334
Computer hardware and software	741,100	643,816	97,284
	<u>4,585,357</u>	<u>3,929,603</u>	<u>655,754</u>
Endowment Funds assets			
J. B. MacLean Estate (Crieff Hills Community)			
Land	20,256	-	20,256
Buildings	2,101,881	1,198,914	902,967
Septic and water system	75,063	7,755	67,308
Furniture and equipment	324,949	254,273	70,676
Vehicles	72,983	52,434	20,549
	<u>2,595,132</u>	<u>1,513,376</u>	<u>1,081,756</u>
	<u>7,180,489</u>	<u>5,442,979</u>	<u>1,737,510</u>

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015

			2014
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Restricted Funds assets			
Land	127,975	-	127,975
Buildings	3,620,863	3,116,732	504,131
Furniture and equipment	95,419	59,909	35,510
Computer hardware and software	714,731	606,742	107,989
	4,558,988	3,783,383	775,605
Endowment Funds assets			
J. B. MacLean Estate (Crieff Hills Community)			
Land	20,256	-	20,256
Buildings	2,079,551	1,136,193	943,358
Septic & water system	49,092	5,892	43,200
Furniture and equipment	314,647	241,663	72,984
Vehicles	70,604	40,450	30,154
	2,534,150	1,424,198	1,109,952
	7,093,138	5,207,581	1,885,557

7 Properties held for congregational use

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. Subsequent to year-end, the Trustee Board sold a property in Calgary with a carrying value of \$502,000 in Calgary for \$1,070,000.

8 Interfund transfers

Interfund transfers are approved by management, the Assembly Council and certain synods and include such items as:

- a) 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;
- b) amounts for the repayment of interfund loans;
- c) financing of capital asset additions by the Operating Fund and within the Restricted Funds;
- d) surplus accumulated within the Endowment Funds, above the original endowed principal amounts that has been released for use in the Restricted Funds; and
- e) transfers from internally restricted funds to fund various operating requirements.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015**9 Restricted Funds**

			2015	2014
	Externally restricted	Internally restricted	Total	Total
	\$	\$	\$	\$
McBeth Baker Fund	1,875,949	-	1,875,949	1,851,936
Barker Fund	164,210	-	164,210	208,572
J. Chisholm Estate Fund	1,267,619	-	1,267,619	1,327,252
Chalmers/Oakwood Fund	2,287,438	-	2,287,438	2,221,170
Mauritius (PCA US)	149,675	-	149,675	149,675
Allenby Fund	511,438	-	511,438	510,374
Ewart Fund	339,878	-	339,878	302,322
Property capital fund	-	2,749,105	2,749,105	2,868,957
The lending funds	-	3,720,685	3,720,685	3,692,050
Dissolved congregations	-	16,183,614	16,183,614	15,442,027
Presbyterian World Service and Development	-	3,409,666	3,409,666	3,152,733
Life & Mission Funds (LMA)	-	8,482,819	8,482,819	8,143,767
New Congregation capital fund (LMA)	-	6,522,546	6,522,546	5,702,135
Residential schools funds	-	233,794	233,794	288,101
National Development Fund	-	2,939,306	2,939,306	3,328,111
Long-term disability and insurance premium fund	-	752,755	752,755	857,687
Presbyterian Memorial Fund	-	796,839	796,839	781,605
Other	3,075,429	2,648,004	5,723,433	5,720,785
	9,671,636	48,439,133	58,110,769	56,549,259

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015

10 Multi-employer 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. The plan is 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 as expense on a cash basis the contributions required to be made under the plan. Total contributions for the year amounted to \$519,070 (2014 - \$469,158).

The most recent actuarial valuation as at March 31, 2014 indicates the multi-employer plan has a solvency deficit of \$37,500,000.

11 Funds held in trust

Amounts held for others not reflected in these financial statements of \$77,301,915 (2014 - \$71,965,110) comprise monies the Church invests in the consolidated portfolio on behalf of affiliated organizations. Total monies held for Knox/Ewart College amount to \$23,334,915 (2014 - \$23,037,001).

12 Life & Mission Agency

Life & Mission Agency expenses comprise the following:

	2015 \$	2014 \$
Canadian ministries	1,690,665	1,967,935
Regional staffing	416,692	634,661
International ministries	1,079,026	905,420
Stewardship	55,546	60,540
Justice ministries and other departments	168,854	176,998
Administration (all programs)	2,072,859	2,275,360
	5,483,642	6,020,914

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015**13 Fund distributions**

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

	2015	2014
	\$	\$
Presbyterian World Service and Development	2,998,860	3,149,194
Property fund	119,851	78,885
Pension solvency payments	325,284	-
Dissolved Congregations & Cooke's fund grants	965,878	929,230
Other fund expenditures	3,487,832	4,050,718
	<u>7,897,705</u>	<u>8,208,027</u>

14 Government remittances

Government remittances consist of amounts (such as property taxes, sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, \$44,536 (2014 - \$33,440) is included in accounts payable and accrued liabilities.

15 Financial instruments risk disclosures

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

Foreign exchange risk

The Church holds 23.7% (2014 - 21.2%) of its investments in the United States and 9.2% (2014 - 8.6%) in international markets and, therefore, is subject to foreign exchange risks. The fund managers operate under a detailed SIP&P and are expected to manage this type of risk. The risk in this area is moderate.

Credit risk

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 Church's accounts receivable credit risk is considered to be moderate to low.

The Presbyterian Church in Canada

Notes to Financial Statements

December 31, 2015

Liquidity risk

The Church believes it has moderate to low liquidity risks given the makeup of its accounts payable and accrued liabilities.

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 portfolio investments. The Church's short-term financial instruments (accounts receivable, accounts payable and accrued liabilities) are not subject to market risk.

Interest rate risk

The loans and 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. Money market investments by their nature are subject to the same risk.

16 Commitments

The Church has entered into three lease agreements for certain office equipment. The aggregate future minimum lease payments expiring in fiscal 2018 are as follows:

	\$
2016	79,620
2017	79,620
2018	62,999
	<hr/>
	222,239
	<hr/>

**The Presbyterian Church in Canada
Pension Fund**

(Ontario registration number 0368902)

Financial Statements

December 31, 2015

The Presbyterian Church in Canada Pension Fund

Statement of Net Assets Available for Plan Benefits

As at December 31, 2015

	2015 \$	2014 \$
Assets		
Cash (note 3(a))	3,503,117	2,909,799
Investments (note 3(a))	235,198,141	222,950,151
Contributions and other receivables (note 7)	608,703	736,888
Accrued interest and dividends receivable	357,884	400,247
	239,667,845	226,997,085
Liabilities		
Accounts payable and accrued liabilities (note 8)	367,656	234,623
Net Assets Available for Plan Benefits	239,300,189	226,762,462

Approved by the Assembly Council

_____ Convenor _____ Convenor of Finance Committee

Approved by the Pension and Benefits Board

_____ Convenor Pension Board

The Presbyterian Church in Canada Pension Fund**Statement of Changes in Net Assets Available for Plan Benefits****For the year ended December 31, 2015**

	2015	2014
	\$	\$
Increase in net assets available for plan benefits		
Contributions		
Employers - annual normal costs	1,212,000	1,208,113
Employers - special payments	5,665,492	5,078,255
Plan members	3,895,323	4,065,110
Interest and dividend income (note 3(b))	6,402,916	6,144,385
Net realized gains on sale of investments	9,964,486	4,586,878
Change in unrealized gain on investments	738,402	11,622,269
Other income (expense)	(43,752)	57,032
	<u>27,834,867</u>	<u>32,762,042</u>
Decrease in net assets available for plan benefits		
Benefit payments to retirees	11,607,645	11,119,723
Termination refunds and transfers out (note 9)	1,638,168	671,176
Administrative expenses (note 4)	2,051,327	1,913,464
	<u>15,297,140</u>	<u>13,704,363</u>
Increase in net assets available for plan benefits during the year	12,537,727	19,057,679
Net assets available for plan benefits - Beginning of year	<u>226,762,462</u>	<u>207,704,783</u>
Net assets available for plan benefits - End of year	<u>239,300,189</u>	<u>226,762,462</u>

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

1 Description of Plan

The following is a brief description of The Presbyterian Church in Canada Pension Fund (the Plan). For more complete information, reference should be made to the Plan agreement.

General

The Plan has established a pension plan to provide ordained ministers of The Presbyterian Church in Canada (PCIC), employees and other designated individuals with retirement income. The Plan is a contributory defined benefit pension plan. It is registered under the Pension Benefits Act of the Province of Ontario (the Act) under registration number 0368902.

Contribution policy

The Plan is funded by contributions from its plan members and by contributions from the employers, congregations, boards, colleges and PCIC as defined in the Plan (collectively the Employer).

Normal retirement

- Eligibility

Each employee working on a regular basis is eligible to become a member.

- Retirement age

Normal retirement date is the first day of the month next following a member's 65th birthday. For vested terminated employees, deferred pensions are available as of attainment of age 55 reduced by 0.5% per month or 6% per year by which early retirement precedes age 65.

- Maximum pension

The greater of:

- a) 1.5% of the member's maximum qualifying income in that year, multiplied by the member's pensionable income ratio in that year, multiplied by one year of pensionable service or less; and
- b) 2% of pensionable income accrued based on the member's total earnings for members contributing to the Plan after December 31, 1989.

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

Early retirement

- Eligibility

A member who has attained age 55 may retire before the normal retirement date with entitlement to a pension based on the pension accrued up to the date of retirement but reduced by 0.5% for each month by which their age is less than 65.

A member whose age and pensionable service total 95 or more may retire before the normal retirement date with entitlement to the full normal pension accrued up to the date of retirement.

Pre-retirement death benefit

- Eligibility

All members are eligible for pre-retirement death benefits.

- Benefit

The surviving spouse of a member who dies before retirement is entitled to a pension equal to 66.67% of the member's accrued pension payable until the spouse's death. For members who die before retirement, the spouse's pension is based on a minimum of 12 years of pensionable service (or, less the pensionable service the member would have accrued if the member had continued in pensionable service until the normal retirement date). Dependent children are entitled to additional benefits.

Death and survivor allowances

Death and survivor allowances are paid to spouses with provisions available for individuals to name other beneficiaries in the case of single persons.

Vesting

For services prior to January 1, 1987, benefits are vested after five years of Plan membership. For services since January 1, 1987, benefits vest after two years. In Ontario, effective July 1, 2012, everyone is vested immediately.

2 Summary of significant accounting policies

Basis of accounting

The Financial Services Commission of Ontario (the regulator) allows the preparation of financial statements in accordance with Canadian accounting standards for pension plans, excluding recognition and disclosure of pension obligations to comply with the filing requirements of Section 76 of Regulation 909 of the Act. As such, these financial statements have been prepared in accordance with Part IV of the Chartered Professional Accountants of Canada (CPA Canada) Handbook - Accounting, excluding recognition and disclosure of the

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

pension obligation and include certain additional disclosures required by Section 76 of Regulation 909 of the Act. These financial statements differ materially from financial statements prepared in accordance with Canadian accounting standards for pension plans and do not purport to show the adequacy of the Plan's assets to meet its pension obligations. These financial statements have been prepared to assist in meeting the financial reporting requirements of the regulator.

These financial statements are prepared on a going concern basis and present the information of the Plan as a separate reporting entity independent of the Employer and Plan members. The Plan applies Canadian accounting standards for private enterprises in Part II of the CPA Canada Handbook - Accounting for its accounting policies not related to its investment portfolio.

Investment assets and liabilities

Investment assets and liabilities are recorded at fair value in accordance with International Financial Reporting Standard (IFRS) 13, Fair Value Measurement. Purchases and sales of investments are recorded as of the trade date (the date on which the substantial risks and rewards have been transferred). Transactions that have not been settled are reflected in the statement of net assets available for plan benefits as amounts receivable or payable for unsettled trades.

The methods used to determine fair value for each category of investment assets and liabilities are explained in note 6.

Investment income

Dividend income is recognized based on the ex-dividend date and interest is recognized on the accrual basis as earned. Net realized gains (losses) on investments sold during the year represent the difference between sale proceeds and average cost and are included in the statement of changes in net assets available for plan benefits. Changes in unrealized gains (losses) on investments represent the change in the difference between the fair value and the cost of investments at the beginning and end of the year and are included in the statement of changes in net assets available for plan benefits.

Transaction costs

Transaction costs are not part of the fair value of investments and are expensed as incurred in the statement of changes in net assets available for plan benefits. All transaction costs and investment management fees are grouped as part of the administrative expenses.

Contributions and funding policy

Contributions are made in accordance with actuarial valuations prepared by Eckler Ltd. The most recent actuarial valuation was completed as at March 31, 2014.

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

Refunds and transfers

When a vested member ceases to be employed by the Employer, the Plan will record a liability to the member on receipt of the signed election form requesting a refund or transfer of assets. The amount of the payment is determined in accordance with the actuarial calculation.

Cash

Cash includes short-term investments with a term to maturity of 90 days or less on issuance.

Administrative expenses

Administrative expenses incurred are paid from the Plan and are treated as expenses in the financial statements.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to the determination of the fair value of the financial instruments (note 6).

Income taxes

The Plan is a registered pension plan, as defined under the Income Tax Act (Canada), and is not subject to income taxes in Canada. Foreign income and any related withholding taxes are recorded on a gross basis in the statement of changes in net assets available for plan benefits.

Benefits

The cost of benefits to members (pension, survivor, disability benefits and termination refunds) are recorded in the year in which the benefits are payable.

Prior to 1998, benefits were purchased and payments of required benefits to retirees were fulfilled through annuity payments. All required pension benefits are now paid through the Plan.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing as at the year-end date. Income and expenses are translated into Canadian dollars at the exchange rates prevailing on the dates of the underlying transactions. The realized and unrealized foreign exchange gains and losses arising from these transactions are included in realized and unrealized gain or loss on investments.

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

3 Cash and investments

a) Cash and investments at year-end are summarized as follows:

	2015		2014	
	Book value \$	Fair value \$	Book value \$	Fair value \$
Cash	<u>3,503,117</u>	<u>3,503,117</u>	<u>2,909,799</u>	<u>2,909,799</u>
Investments				
Short-term investments	<u>2,666,153</u>	<u>2,666,153</u>	<u>2,821,026</u>	<u>2,821,026</u>
Equities				
Canadian	25,512,249	25,375,148	47,092,353	54,038,591
Foreign	-	-	114,615	170,495
	<u>25,512,249</u>	<u>25,375,148</u>	<u>47,206,968</u>	<u>54,209,086</u>
Bonds				
Canadian	51,825,616	52,760,144	47,391,398	49,328,704
Foreign	618,577	640,633	540,459	556,349
	<u>52,444,193</u>	<u>53,400,777</u>	<u>47,931,857</u>	<u>49,885,053</u>
Pooled funds				
Short-term investments	90,105	90,105	1,295,465	1,295,465
Canadian equities	32,184,400	30,428,320	1,975,010	2,586,044
Foreign equities	61,064,155	97,904,823	62,588,226	88,313,864
Bonds	16,904,774	16,962,968	16,885,714	16,984,814
Mortgages	3,273,971	3,272,598	3,020,740	3,011,945
	<u>113,517,405</u>	<u>148,658,814</u>	<u>85,765,155</u>	<u>112,192,132</u>
Infrastructure fund	<u>4,651,950</u>	<u>5,010,000</u>	<u>3,528,980</u>	<u>3,727,229</u>
Mortgages	<u>87,249</u>	<u>87,249</u>	<u>115,625</u>	<u>115,625</u>
	<u>198,879,199</u>	<u>235,198,141</u>	<u>187,369,611</u>	<u>222,950,151</u>

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

b) Interest and dividend income for the year ended December 31 is summarized as follows:

	2015	2014
	\$	\$
Bond interest	2,430,145	2,532,293
Dividend income	3,810,422	3,426,932
Mortgage interest	111,003	116,411
Short-term investment income	28,814	39,743
Interest on cash balances	22,532	29,006
	6,402,916	6,144,385

c) Included in total investments are the following individual investments, which have a fair value or book value as at December 31, 2015 equal to or greater than 1% of the fair value of the total investment portfolio at that time:

	\$
Bonds	
Canada Housing Trust, 1.75% 15/06/2018	2,706,449
Canada Housing Trust 1.7% 15/12/2017	2,673,506
Pooled funds	
Canadian equity - Foyston Gordon Small Cap Fund	2,625,858
Canadian equity - TD Emerald Low Volatility Canadian Equity Fund	27,802,462
Foreign equity - TD Emerald Low Volatility Global Equity Fund	28,228,946
Foreign equity - Walter Scott & Partners Fund	69,675,878
Bond - Phillips H & N Investment Grade Corp Bond Fund TR series	16,962,968
Mortgage - Phillips H & N Mortgage TR series	3,272,598
Infrastructure fund	
Northleaf Infrastructure Co-Investment L.P. Fund	5,010,000

4 Administrative expenses

	2015	2014
	\$	\$
Investment management fees	1,292,588	1,132,916
Salaries	280,416	302,089
Actuarial fees	416,679	376,213
Other administrative expenses	61,644	102,246
	2,051,327	1,913,464

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

5 Investment risk management

The objective of the Plan is to achieve medium to long-term growth of its investment portfolio to provide the Plan with assets sufficient to meet members' pension benefit payment obligations. The Plan's investment policy is set out in the Statement of Investment Policies and Procedures (SIP&P). The latest SIP&P was amended and approved on May 28, 2015 by the Trustee Board of The Presbyterian Church in Canada.

The Plan has investments held by a third party custodian in cash, short-term investments, Canadian and foreign equities, bonds, mortgages, infrastructure limited partnership units and pooled funds. The pooled funds are invested in government and corporate bonds, debentures, equity securities and mortgages. The pension fund's investment in infrastructure is in a private equity fund. The infrastructure portfolio is currently invested in six projects. The projects invested in by the fund consists of wind farms, a water treatment plant, a rooftop solar portfolio and a tolled highway. Third party investment managers are used to manage the Plan's investments. The investment managers must adhere to the investment policies governing these funds, which are monitored by the Trustee Board of the PCIC. The Plan's investing activities expose it to a variety of direct and indirect financial risks: market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The allocation of assets among the various types of investments and the performance of investments held by the Plan are monitored by the Plan's investment managers on a monthly basis and are reviewed by the Investment Advisory Committee quarterly and approved by PCIC on a regular basis. Divergence from target asset allocation and the composition of the portfolio are monitored by the Plan's investment managers daily and the Pension Committee quarterly.

The Pension and Benefits Board oversees how management monitors compliance with the Plan's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Plan.

Market risk

The Plan's investments are susceptible to market risk, which is defined as the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Plan's market risk is affected by changes in the level or volatility of market rates or prices, such as interest rates, foreign exchange rates and equity prices. The sensitivity analysis provided below discloses the effect on net assets available for plan benefits as at December 31, 2015, assuming that a reasonably possible change in the relevant risk variable has occurred as at December 31, 2015 and has been applied to the risk exposures in existence at that date to show the effects of the reasonably possible changes. The reasonably possible changes in market variables used in the sensitivity analysis were determined based on implied volatilities where available or on historical data.

The sensitivity analysis provided is hypothetical and should be used with caution, as the impacts provided are not necessarily indicative of the actual impacts that would be experienced, since the Plan's actual exposure to market rates may change. Changes in fair values or cash flows based on a variation in a market variable cannot be extrapolated because the relationship between the change in a market variable and the change in fair value or cash flows may not be linear. In addition, the effect of a change in a particular market variable on fair values or

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

cash flows is calculated without considering interrelationships between the various market rates or mitigating actions that would be taken by the Plan.

Currency risk

Currency risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan holds assets denominated in currencies other than the Canadian dollar, the Plan's functional currency. It is therefore exposed to currency risk, as the value of the financial instruments denominated in other currencies will fluctuate due to the change in exchange rates. Foreign exchange exposure primarily arises from the Plan's holdings of non-Canadian assets through pooled funds and foreign equities, which totalled \$95,846,299 for 2015 (2014 - \$86,888,957), representing 41% (2014 - 39%) of total investments. The risk in this area is considered to be moderate.

The table below summarizes the foreign currencies to which the Plan had exposure as at December 31, 2015 and the approximate change in this exposure for a 10% change in the Canadian dollar exchange rate. It is not expected the exchange rates would all move in the same direction for all currencies at the same time. However, the estimate provides a sense of the magnitude of the sensitivity of the portfolio to currency exchange rate movement.

Currency	Amount		Impact of 10% change on exposure 2015	Impact of 10% change on exposure 2014
	\$	%	\$	\$
US dollar	49,992,141	52.2	+/- 4,999,214	+/- 4,460,570
Japanese yen	11,282,687	11.8	+/- 1,128,269	+/- 969,038
Swiss franc	7,653,686	8.0	+/- 765,369	+/- 600,380
Hong Kong dollar	6,941,134	7.2	+/- 694,113	+/- 677,542
Euro	6,681,385	7.0	+/- 668,139	+/- 529,780
British pounds	6,249,332	6.5	+/- 624,933	+/- 756,096
Australian dollar	2,054,756	2.2	+/- 205,476	+/- 247,852
Singapore dollar	2,021,771	2.1	+/- 202,177	+/- 179,086
Swedish krona	1,365,971	1.4	+/- 136,597	+/- 134,674
Danish kroner	1,572,385	1.6	+/- 157,239	+/- 130,786
Israeli shekel	16,937	-	+/- 1,694	+/- 1,665
Norwegian kroner	14,114	-	+/- 1,411	+/- 1,427
Total	95,846,299	100.0	+/- 9,584,631	+/- 8,688,896

Interest rate risk

Interest rate risk is the risk the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan has investments in bonds and mortgages. As at December 31, 2015, had interest rates increased or decreased by 1%, with all other variables held constant, the increase or decrease in net assets available for Plan benefits for the year would amount to approximately \$4,177,000 (2014 - \$3,600,000) for investments directly held, and \$@@@ (2014 - \$912,000) for investments held in pooled funds.

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

Short-term investments have minimal sensitivity to changes in interest rates due to the short-term nature of the investments.

Equity price risk

The Plan holds equity financial instruments. The Plan is therefore exposed to equity price risk as the value of equity financial instruments will fluctuate due to changes in equity prices. If the unit price of the equity pooled funds and infrastructure limited partnership and the value of the Plan's equities directly held were to increase or decrease by 10%, with all other variables held constant, the impact on the net assets available for Plan benefits would be approximately \$15,871,000 (2014 - \$14,884,000).

As noted above, the Plan manages its market risk by investing in a diversified portfolio and by monitoring the performance of the individual investments and the compliance of each investment manager with the set investment policies.

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. The Plan is exposed to credit risk primarily through its bond investment portfolio.

The investment grade of the Plan's bond and mortgage portfolio as at December 31 is as follows:

Credit ratings	2015		2014	
	\$	% yields	\$	% yields
Directly held				
AAA/AA	38,635,487	72.4	36,854,323	73.9
A	11,221,454	21.0	10,882,990	21.8
BBB	3,543,836	6.6	2,147,740	4.3
	<u>53,400,777</u>	<u>100.00</u>	<u>49,885,053</u>	<u>100.0</u>
Indirectly held in pooled funds				
AAA/AA	-	-	6,944,864	34.7
A	-	-	4,665,049	23.3
BBB	-	-	5,197,353	26.0
B	-	-	237,787	1.2
Unrated	-	-	2,951,706	14.8
	<u>20,235,566</u>	<u>100.00</u>	<u>19,996,759</u>	<u>100.0</u>

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

Liquidity risk

Liquidity risk is the risk the Plan may be unable to meet obligations in a timely manner. In addition to recurring expenses, the Plan is called on to meet regular pension benefit payments as well as lump sum transfers that may occur on retirement or termination of qualifying members. The risk the Plan would be unable to meet such obligations is managed through the Plan's ongoing monitoring of the individual investment managers and in their ability to liquidate investments in which the Plan has invested. The risk in this area is assessed by the Plan to be insignificant.

The following is a maturity analysis of the Plan's investments that are held both directly and indirectly through its investments in pooled funds for managing liquidity risk:

					2015
Maturity	< 1 year \$	1-5 years \$	5-10 years \$	> 10 years \$	Total \$
Directly held	-	16,604,486	15,824,944	20,971,347	53,400,777
Indirectly held in pooled funds	-	-	-	-	20,235,566
	-	16,604,486	15,824,944	20,971,347	73,636,343

					2014
Maturity	< 1 year \$	1-5 years \$	5-10 years \$	> 10 years \$	Total \$
Directly held	-	13,763,387	15,325,945	20,795,721	49,885,053
Indirectly held in pooled funds	1,542,080	10,490,598	5,437,193	2,526,888	19,996,759
	1,542,080	24,253,985	20,763,138	23,322,609	69,881,812

The amounts shown as indirectly held in pooled funds represent the Plan's proportionate share of the investments held in the underlying pooled funds.

Methods and assumptions used in preparing sensitivity analysis

For indirect risk exposures from investments held in pooled funds, the various sensitivity analyses are based on similar disclosures presented in the audited financial statements of the various pooled funds. When the Plan invests in more than one pooled fund with similar financial instrument risks, the impact on the Plan's net assets available for Plan benefits is calculated separately for each of these funds based on the pro rata holdings of the Plan, and then added together. When funds with similar financial instrument risks use a different level of

The Presbyterian Church in Canada Pension Fund

Notes to Financial Statements

December 31, 2015

reasonability of possible change to assess the impact on their net asset value, the impact has been estimated by pro-rating the reported change in the audited financial statements in order to arrive at a consistent level of possible impact.

6 Fair value measurement

The following is a summary of the methods used to determine the fair value of the Plan's investments directly held and indirectly held in pooled funds, and an analysis of those investments using the hierarchy set forth in IFRS 7, Financial Instruments: Disclosures. The hierarchy prioritizes the inputs to fair value measurement, placing the highest priority on unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to inputs not based on observable market data (Level 3). The three levels of the fair value hierarchy are:

- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 - inputs for assets or liabilities that are not based on observable market data.

Cash

Cash is classified as Level 2.

Short-term investments

Short-term investments are generally classified as Level 2. These instruments mature within one year and are stated at cost, which, when combined with accrued interest income, approximates fair value.

Equities

The Plan's equity investments are classified as Level 1 when the security is actively traded and a reliable quote is observable. Certain of the Plan's equities do not trade frequently; therefore, observable prices may not be available. In such cases, fair value is determined using observable market data (e.g. transactions for similar securities of the same issuer) and the investment is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the investment is classified as Level 3.

Bonds and mortgages

Bonds, mortgages and other interest bearing securities are classified as Level 1 when they are actively traded. They are classified as Level 2 when they are valued using observable inputs, including interest rate curves, credit spreads and volatilities. Mortgages for which significant unobservable data is required in determining fair value have been classified as Level 3.

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Infrastructure

Investments in infrastructure limited partnership units are classified as Level 3. They are measured and reported at fair value in accordance with fair value policies and procedures, which give consideration to a range of factors. The investment manager considers any control, size, liquidity or other discounts or premiums on unlisted and unquoted investments in determining fair value. A number of valuation methodologies are considered in arriving at the fair value of investments including analysis of recent transactions and internal or external valuation models, which may include discounted cash flow analysis. The most appropriate methodology used to estimate fair value is determined on an investment by investment basis. Due to the inherent uncertainty of valuing investments for which no market price exists, these estimated values do not necessarily represent amounts that might be ultimately realized had a ready market existed for the investments.

The following table sets forth by level, within the fair value hierarchy, the Plan's financial assets at fair value as at December 31:

	2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	-	3,503,117		3,503,117
Investments				
Short-term investments	-	2,666,153	-	2,666,153
Equities				
Canadian	25,375,148	-	-	25,375,148
Bonds				
Canadian	-	52,760,144		52,760,144
Foreign	-	640,633	-	640,633
Pooled funds				
Short-term investments	-	90,105		90,105
Canadian equities	30,428,320	-	-	30,428,320
Foreign equities	97,904,823	-	-	97,904,823
Bonds	-	16,962,968	-	16,962,968
Mortgages	-	3,272,598	-	3,272,598
Infrastructure	-	-	5,010,000	5,010,000
Mortgages	-	-	87,249	87,249
	153,708,291	79,895,718	5,097,249	238,701,258

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	2014			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Cash	-	2,909,799	-	2,909,799
Investments				
Short-term investments	-	2,821,026	-	2,821,026
Equities				
Canadian	54,038,591	-	-	54,038,591
Foreign	170,495	-	-	170,495
Bonds				
Canadian	-	49,328,704	-	49,328,704
Foreign	-	556,349	-	556,349
Pooled funds				
Short-term investments		1,295,465	-	1,295,465
Canadian equities	2,586,044	-	-	2,586,044
Foreign equities	87,935,680	378,184	-	88,313,864
Bonds	-	16,984,814	-	16,984,814
Mortgages	-	3,011,945	-	3,011,945
Infrastructure	-	-	3,727,229	3,727,229
Mortgages	-	-	115,625	115,625
	<u>144,730,810</u>	<u>77,286,286</u>	<u>3,842,854</u>	<u>225,859,950</u>

The following is a reconciliation of Level 3 fair value measurements from January 1, 2015 to December 31, 2015:

	\$
Opening balance	3,842,854
Investment into infrastructure	1,122,970
Change in fair value	159,801
Redemption of mortgage units	<u>(28,376)</u>
Closing balance	<u>5,097,249</u>

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7 Contributions and other receivables

	2015	2014
	\$	\$
Contributions receivable from members	277,975	277,382
Contributions receivable from Employer	316,621	445,593
Other receivables	14,107	13,913
	<u>608,703</u>	<u>736,888</u>

8 Accounts payable and accrued liabilities

	2015	2014
	\$	\$
Audit fees	18,000	34,800
Actuarial fees	59,317	26,827
Investment management fees	77,000	73,585
Group insurance	52,710	-
HST	28,606	11,618
Due to PCIC (a)	132,023	87,793
	<u>367,656</u>	<u>234,623</u>

(a) PCIC provides administration services to the Plan at no cost. The Plan reimburses PCIC for all expenses paid on its behalf.

9 Termination refunds and transfers out

	2015	2014
	\$	\$
Retirement/disability	120,656	119,189
Termination	1,124,785	433,634
Death	392,727	118,353
	<u>1,638,168</u>	<u>671,176</u>

10 Capital management

Management of the Plan defines capital as the net assets available for plan benefits. As the Plan represents only the net assets available for plan benefits, it does not manage capital on a stand-alone basis. Management of capital is done at the Plan level.

As the net assets of the defined benefit component of the Plan represents only the net assets available for benefits of the defined benefit component of the Plan, the management of capital is directly related to the management of investments. Capital is managed to achieve a long-term (five to ten year period) total rate of return equal to the long-term discount rate assumption used for the going-concern actuarial valuation.

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Additional Disclosure Document (Unaudited)

December 31, 2015

Purpose

This document is prepared by the administrator of the Presbyterian Church in Canada Pension Fund (the “Plan”) to provide additional information to comply with the requirements in the Financial Statements Guidance Note-100 issued by the Financial Services Commission of Ontario (“FSCO”). The information contained in this document is prepared solely for the Pension Investment Committee of the Plan (the “Committee”) and FSCO and should not be used by parties other than the Committee or FSCO. This document is authorized for issue by the Committee on @@, 2016.

Capital management

Management of the Plan defines capital as the net assets available for plan benefits. As the Plan represents only the net assets available for plan benefits, it does not manage capital on a stand-alone basis. Management of capital is done at the Plan level. As stated in note 2, these financial statements do not purport to provide information about the solvency of the Plan.

The SIP&P was last amended on May 28, 2015. The return expectation of the Fund is to achieve a long-term (five to ten-year period) total rate of return equal to the long-term discount rate assumption used for the going-concern actuarial valuation. The discount rate is determined by the Pension Board with input from the Plan’s actuary. As of the March 31, 2014 actuarial valuation, the discount rate is 6.35%. The annualized five-year return as at December 31, 2015 was 8.6 % (gross of fees) (2014 - 8.9%).

The following table presents the asset allocation and annual rate of investment return for each asset category, and total investments, along with appropriate benchmarks.

Asset categories	Benchmark	SIP&P targets	Asset allocation		Annual rate of investment return (%)			
			December 31, 2015	As at December 31, 2014	Benchmark		Actual (gross of fees)	
			2015	2014	2015	2014	2015	2014
Cash and short-term investments	n/a	n/a	2.4%	2.7%	n/a	n/a	n/a	n/a
Fixed income and mortgages	DEX Universe Index	35.0%	31.2%	31.2%	3.5%	8.8%	3.6%	8.7%
Canadian equities	S&P/TSX Composite Index	25.0%	23.6%	25.3%	(8.3%)	10.6%	(6.8)	7.9%
Foreign equities	MSCI World Index (\$C)	35.0%	40.8%	39.1%	18.3%	14.5%	20.7%	15.5%
Infrastructure	DEX Long Bond Index + 5%	5.0%	2.1%	1.7%	9.0%	23.2%	6.5%	7.6%
Total		100.0%	100.0%	100.0%	5.6%	11.5%	7.7%	11.0%

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As of the most recent SIP&P, the Plan invested with the following managers/mandates:

Mandate	Investment manager	Target weight
Canadian equities and fixed income	Foyston, Gordon and Payne	29.5%
Canadian equities	TD Asset Management	12.5%
Canadian fixed income and mortgages	Phillips, Hager & North	18.0%
Foreign equities	Walter Scott	25.0%
Foreign equities	TD Asset Management	10.0%
Infrastructure	Northleaf Capital Partners	5.0%