

THE CANADIAN COUNCIL OF CHURCHES

**CONSOLIDATED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2022**



**DECEMBER 31, 2022
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**MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING
DECEMBER 31, 2022**

The accompanying consolidated financial statements and all other information contained in this annual report are the responsibility of the management of The Canadian Council of Churches. The consolidated financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations and have been approved by the Governing Board.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of The Canadian Council of Churches. Management maintains a system of internal accounting and administration controls which are designed to provide reasonable assurance that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial information. Such information also includes data based on management's best estimates and judgements. Management has determined that the enclosed consolidated financial statements are presented fairly and on a consistent basis with prior years, in all material respects.

The Finance Committee reviews the audited consolidated financial statements and recommends them to the Governing Board. The Governing Board reviews and approves the annual consolidated financial statements and also reviews the annual report in its entirety.

The accompanying consolidated financial statements have been audited by Graham Mathew Professional Corporation, the external auditors of the organization, who are engaged by the Governing Board and whose appointment was ratified by the Governing Board. The Independent Auditors' Report, dated May 24, 2023, expresses their opinion on the 2022 consolidated financial statements.

Matthew Pupic
Director of Operations
Project Ploughshares

Peter Noteboom
General Secretary
The Canadian Council of Churches

INDEPENDENT AUDITORS' REPORT

To the Governing Board of
The Canadian Council of Churches

Opinion

We have audited the accompanying consolidated financial statements of **The Canadian Council of Churches** (the Council), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statements of revenues, expenses and fund balances and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Council'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 the Governing Board either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council'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 Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated 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.

Carolan Mathew Professional Corporation

Cambridge, Ontario
May 24, 2023

Chartered Professional Accountants, authorized to practise public
accounting by the Chartered Professional Accountants of Ontario



CONSOLIDATED STATEMENT OF REVENUES, EXPENSES AND FUND BALANCES
YEAR ENDED DECEMBER 31, 2022

	Canadian Council of Churches		Project Ploughshares		2022	Canadian Council of Churches		Project Ploughshares		2021
	Unrestricted Fund \$	Restricted Funds \$	Unrestricted Fund \$	Restricted Funds \$		Unrestricted Fund \$	Restricted Funds \$	Unrestricted Fund \$	Restricted Funds \$	
Revenues										
Donations	43,490	37,384	539,693	881	621,448	75,533	8,395	573,077	944	657,949
Member/sponsor contributions	300,720		25,730		326,450	305,022		28,230		333,252
Government grants			62,463		62,463			92,631		92,631
Program grants	52,500	109,800	42,000		204,300	45,000	5,000	18,485		68,485
Investment income (loss)	(10,237)	(36,360)	469	(23,856)	(69,984)	43,342	23,938	7,670	58,321	133,271
Other revenue	59,336	4,167	20,353		83,856	49,203		14,648		63,851
Government wage assistance (note 11)						21,928		31,940		53,868
	445,809	114,991	690,708	(22,975)	1,228,533	540,028	37,333	766,681	59,265	1,403,307
Expenses										
Salaries and benefits	422,609	93,737	725,216		1,241,562	420,930	85,231	753,686		1,259,847
Management and administration (notes 4 and 6)	50,685	475	100,995		152,155	42,372	1,826	97,758		141,956
Programs and projects	96,551	12,583	103,605		212,739	47,540	5,815	44,401		97,756
Grants to other organizations	500	6,500			7,000	650	5,000			5,650
Fundraising	711		14,496		15,207	1,510		13,321		14,831
	571,056	113,295	944,312	NIL	1,628,663	513,002	97,872	909,166	NIL	1,520,040
Excess (deficiency) of revenues over expenses	(125,247)	1,696	(253,604)	(22,975)	(400,130)	27,026	(60,539)	(142,485)	59,265	(116,733)
Fund balances, beginning	244,691	533,483	286,661	941,467	2,006,302	217,665	594,022	286,146	1,025,202	2,123,035
	119,444	535,179	33,057	918,492	1,606,172	244,691	533,483	143,661	1,084,467	2,006,302
Interfund transfers (note 3)	2,678	(2,678)	254,000	(254,000)				143,000	(143,000)	
Fund balances, ending	122,122	532,501	287,057	664,492	1,606,172	244,691	533,483	286,661	941,467	2,006,302

The explanatory financial notes form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 2022

	Canadian Council of Churches		Project Ploughshares		2022	Canadian Council of Churches		Project Ploughshares		2021
	Unrestricted Fund \$	Restricted Funds \$	Unrestricted Fund \$	Restricted Funds \$		Unrestricted Fund \$	Restricted Funds \$	Unrestricted Fund \$	Restricted Funds \$	
ASSETS										
Cash	53,409	20,391	156,040		229,840	12,747		96,796		109,543
Investments (note 5)	281	4,197	1,020		5,498	7,052	19,432	8,020		34,504
Accounts receivable	34,741	15,339	76,839		126,919	47,480	310	91,263		139,053
Prepays	10,792		26,419		37,211	5,288		24,750		30,038
Current assets	99,223	39,927	260,318		399,468	72,567	19,742	220,829		313,138
Capital assets (note 6)	2,751	950	2,692		6,393	1,598		9,586		11,184
Investments (note 5)	32,989	491,624	90,418	664,492	1,279,523	185,774	513,741	87,554	941,467	1,728,536
	134,963	532,501	353,428	664,492	1,685,384	259,939	533,483	317,969	941,467	2,052,858
LIABILITIES										
Accounts payable and accrued liabilities (note 7)	12,841		14,371		27,212	15,248		11,733		26,981
Deferred contributions (note 8)			52,000		52,000			19,575		19,575
	12,841		66,371		79,212	15,248		31,308		46,556
FUND BALANCES										
Unrestricted funds	122,122		287,057		409,179	244,691		286,661		531,352
Restricted funds		418,818		664,492	1,083,310		413,077		941,467	1,354,544
Endowment fund (note 10)		113,683			113,683		120,406			120,406
	122,122	532,501	287,057	664,492	1,606,172	244,691	533,483	286,661	941,467	2,006,302
	134,963	532,501	353,428	664,492	1,685,384	259,939	533,483	317,969	941,467	2,052,858

APPROVED BY THE GOVERNING BOARD:

Treasurer



**CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

	2022 \$	2021 \$
Cash flows from operating activities:		
Deficiency of revenues over expenses for the year:	(400,130)	(116,733)
Add non-cash item:		
Amortization	12,325	10,492
	(387,805)	(106,241)
Net change in non-cash working capital balances relating to operations:		
Accounts receivable	12,134	24,707
Prepaid expenses	(7,173)	(471)
Accounts payable and accrued liabilities	231	(5,281)
Deferred contributions	32,425	(18,214)
	(350,188)	(105,500)
Cash flows from investing activities:		
Purchase of capital assets	(7,534)	(4,115)
Change in investments	478,019	(21,246)
	470,485	(25,361)
Net increase (decrease) in cash	120,297	(130,861)
Cash position, beginning of year	109,543	240,404
Cash position, end of year	229,840	109,543



**CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

1. Purpose of the Organization

The Canadian Council of Churches, “the Council”, founded in 1944 and incorporated federally by an Act of Parliament on June 7, 1956, is a registered charity under the Income Tax Act. Accordingly, its income is not taxable and it is eligible to issue official income tax receipts for charitable donations. The Council brings together representatives from its member churches to respond to Christ’s call for unity and peace, seek Christ’s truth with an affection for diversity, and act in love through prayer, dialogue and witness to the gospel.

Project Ploughshares is the peace research institute of the Council. It is an ecumenical operating division of the Council. Project Ploughshares has been a part of the Council since a Governing Board Executive Committee decision in 1976 to sponsor its in-depth study and educational program. Project Ploughshares works with churches, governments and civil society, in Canada and abroad, to advance policies and actions that prevent war and armed violence and build sustainable peace.

2. Summary of Significant Accounting Policies

The consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of consolidation

These consolidated financial statements include the accounts of The Canadian Council of Churches and The Canadian Council of Churches - Project Ploughshares ("Project Ploughshares").

(b) Fund accounting

To ensure observation of restrictions placed on the use of resources available to the Council, the accounts are maintained in accordance with the principles of fund accounting. Under this method, resources for various purposes are classified for accounting and reporting purposes into separate funds in accordance with activities or objectives specified. For financial reporting purposes, funds with similar characteristics have been combined into major fund groups, which reflect the assets, liabilities and fund balances, and the revenues and expenses of each fund as follows:

Unrestricted funds

Revenues and expenses related to the core operations of the Council are provided for from the Unrestricted Funds. These operations are primarily funded by undesigned donations and grants.

Restricted funds

Amounts received and transferred in are internally or externally restricted for special purposes. The principal and interest earned on these restricted funds are to be used for the purposes specified. The restricted funds of the Council are detailed in the schedule of restricted and endowment funds.



**CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

2. Summary of Significant Accounting Policies (Continued)

(c) Revenue recognition

The Council follows the restricted fund method of accounting for contributions whereby externally restricted contributions are recognized in the year received, in the fund corresponding to the purpose for which they were contributed. Unrestricted contributions are recognized as revenue in the Unrestricted Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Government wage assistance is recorded in the period in which the related expenditures are incurred.

Other grants received that are restricted for special projects are recognized as income following the deferral method of accounting under the Unrestricted Fund. Investment income is recognized as revenue in the appropriate fund when receivable.

Member grants are recorded in income in the year the funds are to be applied to offset expenses. Event registration fees are recognized when the related event occurs.

(d) Financial instruments

Mutual funds, corporate shares and term deposits are shown on the consolidated statement of financial position at their fair values at the year-end date, with changes in fair value recognized in the consolidated statement of revenues, expenses and fund balances. Bonds and debentures are recorded at amortized cost less any discovered impairment.

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

The Council's financial instruments include cash, investments, account receivable and accounts payable and accrued liabilities. Cash and certain investments (mutual funds, corporate shares and term deposits) are subsequently measured at their fair value, while the other financial assets and liabilities are subsequently measured at their amortized cost.

Unless otherwise noted, the carrying value of the financial instruments is a reasonable approximation of their fair value given the short terms to maturity.

(e) Capital assets

Capital assets are carried at cost. Amortization is provided on a straight-line basis at the following rates:

Computer hardware	33%
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**CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

2. Summary of Significant Accounting Policies (Continued)

(f) Use of estimates

The preparation of these consolidated financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

(g) Contributed materials and services

Volunteers contribute significant time to assist the Council in carrying out its mandate. Due to the impracticality in determining fair market value, contributed services are not recognized in the consolidated financial statements.

3. Interfund Transfers

During the year, \$254,000 was transferred from the Future Fund to the Project Ploughshares Unrestricted Fund, to assist with operations.

During the year, the Council transferred \$2,678 of Restricted Funds to the Council's Unrestricted Fund, to assist with operations.

4. Leases

In 2020, The Council extended the lease of its premises, to September 30, 2024. The monthly rent under this lease for is approximately \$1,915 and includes the lessee's share of overhead and common area expenses. The basic fees will increase year to year at the rate of change in the consumer price index. Overhead and common area costs are subject to an annual adjustment based on increases in the related costs.

In 2019, The Council extended the lease of office space for its Project Ploughshares operations at Conrad Grebel University College to June 30, 2024. The monthly rent under this lease is approximately \$2,150 plus HST and will increase slightly each year. There is no option to further extend the terms of the agreement at this time.

5. Investments

	2022 \$	2021 \$
Mutual funds and corporate shares	755,931	1,037,041
Bonds and debentures	529,090	725,998
	1,285,021	1,763,039
Current portion	5,498	34,503
	1,279,523	1,728,536

Bonds and debentures bear interest at rates ranging from 2.60% to 3.35% and mature at various dates from 2024 to 2029. The mutual funds are held at Abundance Canada.



**CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

	2022 \$	2021 \$
6. Capital Assets		
Cost		
Computer hardware	55,362	47,828
Accumulated amortization	48,969	36,644
Net Book Value	6,393	11,184

Amortization expense for the year was \$12,325 (\$10,492 in 2021) and is included in management and administration on the consolidated statement of revenues, expenses and fund balances.

7. Accounts Payable and Accrued Liabilities

There were no amounts payable with respect to government remittances as of the year end date.

8. Deferred Contributions

Deferred contributions represents unspent grants relating to special projects. Changes to deferred contributions are as follows:

Balance, beginning of year	19,575	37,789
Contributions received during the year	52,000	19,575
Contributions recognized as income during the year	(19,575)	(37,789)
	52,000	19,575

9. Financial Instruments

The Council is exposed to various risks through its financial instruments. The following analysis provides a measure of the Council's risk exposure and concentrations at the year end date.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Council monitors cash flow activities on a regular basis. Due to the nature of the Council, cash inflows are generally known and major cash outflows relate mostly to program expenditures which are planned for on an annual basis and monitored through the year. In addition, the majority of the investments held can be liquidated easily, which gives the Council the flexibility to meet unplanned demands on cash and thus serves to reduce its liquidity risk.



**CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

9. Financial Instruments (Continued)

Credit risk

The entity is exposed to credit risk by holding debt instruments, such as bonds and debentures, as investments. The Council manages its exposure by limiting the holdings to government and high quality corporate instruments. It is management's opinion that the Council is not exposed to any significant credit risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Council's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. It is management's opinion that the Council is not exposed to any significant currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rate. By holding a substantial portion of its investments in fixed rate instruments, the Council insulates its interest income from short-term changes in market interest rates. Nevertheless, the cash flows from investing activities are exposed to long-term changes in interest rates. Interest rate changes will also impact the fair value of investments held.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Council is exposed to other price risk through its investments in quoted shares. The Council follows investment policies, procedures and processes for managing equity risk.

10. Endowment Funds

Amounts received and transferred in are internally restricted for special purposes. The investment income earned on these restricted funds is to be used for the purposes set out below.

	2022	2021
	\$	\$
Shearer Endowment Fund	19,052	38,917
The Oliver McCully Fund	12,530	14,387
The Howard McIlroy Mills Memorial Fund	82,101	67,102
	113,683	120,406



**CONSOLIDATED EXPLANATORY FINANCIAL NOTES
YEAR ENDED DECEMBER 31, 2022**

10. Endowment Funds (Continued)

Endowment funds

Shearer Endowment Fund

The interest on the Shearer Endowment Fund is not restricted and can be used for operating purposes.

The Oliver McCully Fund

The interest earned by the Oliver McCully Fund must be disbursed for educational purposes (75%) and church activities (25%). Any income not expended in accordance with the terms of the bequest will be held for two additional years, and, if not so expended, will be added back to the principal of the fund.

The Howard McIlroy Mills Memorial Fund

The interest on the Howard McIlroy Mills Memorial Fund is restricted and must be reinvested within the fund and any disbursements from the fund must be in accordance with the terms of the fund agreement for theological education.

11. Canada Emergency Wage Subsidy (CEWS)

On April 11, 2020, the Canadian government launched the Canada Emergency Wage Subsidy (CEWS), an emergency economic relief program to lessen the financial impact on Canadian businesses from the effects of COVID-19.

In 2022, the Council has recognized CEWS subsidy income of \$NIL (\$53,868 in 2021) in the statement of revenues, expenses and fund balances.

THE CANADIAN COUNCIL OF CHURCHES

CONSOLIDATED SCHEDULE OF RESTRICTED AND ENDOWMENT FUNDS YEAR ENDED DECEMBER 31, 2022

	Balance as at December 31, 2021 \$	Income \$	Program Expenses \$	Transfers \$	Balance as at December 31, 2022 \$
Future Fund - Project Ploughshares	941,467	(22,975)		(254,000)	664,492
Restricted Funds	413,077	92,910	(99,491)	12,322	418,818
Endowment Funds	120,406	22,081	(13,804)	(15,000)	113,683
2022 Balances	1,474,950	92,016	(113,295)	(256,678)	1,196,993

	Balance as at December 31, 2020 \$	Income \$	Program Expenses \$	Transfers \$	Balance as at December 31, 2021 \$
Future Fund - Project Ploughshares	1,025,202	59,265		(143,000)	941,467
Restricted Funds	459,710	31,629	(83,862)	5,600	413,077
Endowment Funds	134,312	5,704	(14,010)	(5,600)	120,406
2021 Comparatives	1,619,224	96,598	(97,872)	(143,000)	1,474,950

Project Ploughshares' Future Fund

In 1991, the Management Committee of Project Ploughshares established the Future Fund to provide a predictable source of revenue for the annual operations of Project Ploughshares. Donors are encouraged to make a gift to the Future Fund to perpetuate their support for Project Ploughshares and its peacebuilding programs into the future, and to ensure the growth of the Fund so that it will provide increasing income for programs.