

## **Proposed Operation of The Presbyteries of Toronto Conference Corporation (PTCC)**

### **1. Governance**

- a) The Toronto West Presbytery Corporation (TWPC) will apply for Supplementary Letters Patent to change its name to The Presbyteries of Toronto Conference Corporation when the By Laws proposal has received “administrative approval” by General Council legal counsel. In the application for Supplementary Letters Patent, additional objects will be added to the current objects of TWPC. These “additional objects” have been pre-approved by the Ministry of Small Business/Consumer Affairs.
- b) The revisions will also delete the “current special provisions” of the TWPC as set out in the Incorporating Letters Patent and replace them with new pre-approved special provision objects that have been pre-approved by the Ministry for not-for-profit Corporations.
- c) Once the Supplementary Letters Patent have been approved, an application will be made to the Canada Revenue Agency to change the name associated with the charitable registration number currently held by TWPC to the new Corporation name of PTCC.
- d) The four Presbyteries of Toronto Conference will be the “Founding” Presbyteries of PTCC.
- e) The governance of PTCC will stem from members and directors. There will be 20 members in total, consisting of 8 directors (who are also members) and 12 members. The members meet at the Annual General Meeting to receive financial reports, elect directors, appoint auditors, attend special meetings of the Members, and undertake other such functions as prescribed in the Bylaws. The directors are responsible for the administration of the affairs of PTCC and will meet a number of times during the year. Each Presbytery will nominate 3 non-director members. Each presbytery also nominates two persons for election as directors. The Bylaws describe the process, timing, and particulars in more detail.
- f) There will be a provision included in the Supplementary Letters Patent to enable PTCC to make loans and grants to a Founding Presbytery, to Congregations and “ministries” of Toronto Conference, and to other organizations, approved by a Founding Presbytery.

### **2. Ownership of Assets**

- a) There is the need for fundamental clarity and understanding on the issue of ownership of these financial assets. PTCC, the Corporation, is not a deposit taking institution or an investment management organization. Financial and other forms of assets when received by the Corporation become the property of the Corporation alone and are legally its assets. Should the Corporation wish to agree to certain restrictions on any assets received, it could

in principle enter into formal trust arrangements. However, such agreements are unwieldy and costly to administer and should be avoided.

- b) The other fundamental issue that requires general concurrence is that PTCC, the Corporation, will be a custodian of capital assets of the church, albeit capital in the form largely of financial assets. These assets are not operational funds. For the most part these assets were raised in special capital campaigns. Good stewardship demands they be respected as capital assets. The temporal needs of the church change. As congregations in metropolitan areas have found, they do not need to own manses. Presbyteries direct congregations when selling manses to invest the funds arising from the sale to earn income for ministerial housing allowances. The income arising from investment of funds arising from the sale of Church property can similarly support the changing needs of ministry of the Church. The placing of such capital in a separate corporation aids in obtaining the maximum return on capital, helps to separate operational funds from financial capital, and provides a wide range of possible structures including short term loans to Presbyteries and Congregations to help them meet unexpected requirements.

### **3. Operation**

- a) PTCC will operate so that each Presbytery will have a Fund with PTCC. A Fund is a logical account within the books of PTCC that delineates those portion of assets held for each Presbytery. Each Fund will also show allocations of income and the particular expenses or grants made to an associated Presbytery. This approach provides a clear segregation of the capital assets associated with each Presbytery within PTCC while at the same time enabling all the financial assets to be held in one or more corporate bank account(s) or investment account(s) to maximize investment returns and provide for efficient operations. Given its corporate powers, on a case-by-case basis, the corporation could also hold assets in other forms such as real property, mortgages, or special investments in order to facilitate the works of presbyteries and or earn a return on its capital. This approach has been used by TWPC for decades and works well. The reports issued by PTCC can reflect both the overall financial position of the corporation as well as the value, income and expense for each Presbytery's Fund. The initial capital assets (for each Presbytery of \$900,000 approx. each in 2014) will be earmarked for their fund at PTCC and deposited in their fund as the current investments mature and become available. Provision should also be made for the PTCC to have its own General Fund to facilitate the allocation of funds and for also any assets which they may receive from time to time. Since this is essentially a housekeeping fund, this fund will not be subject to the pro rata charges that all to the other five funds.

- b) The Board of PTCC may engage an investment company to invest and manage its financial assets. The Board may also appoint an Investment Officer or other staff or advisors to advise the Board or its Committee(s).
- c) The overall investment interest and the realized capital gains/losses (except for capital losses arising from specific withdrawals of capital in response to a request for a grant outlined below) will be applied pro-rata against all Funds. Interest and investment income will be applied and allocated quarterly on an estimated basis, and finalized at the end of each calendar year based on accruals and receipt of funds (which only occur annually).
- d) The costs of the core financial investment operations of PTCC will be charged pro-rata against the four (4) Presbytery Funds, the South West Presbytery Community Ministries Fund and any other PTCC Funds established now or in the future based on the value of the funds at the start of each financial year. The expenses are expected to be minimal, arising from general administration, audit, and investment management fees, or commissions paid for the purchase and sale of financial assets.
- e) Assets held by the current TWPC which are not intended for the Jane-Finch and Davenport-Perth Community Ministry fund and related items will be allocated equally among the funds of the four Founding Presbyteries.
- f) Assets being contributed by Tri-Presbytery Corporation and the residual assets of other Presbyteries will be forwarded to the PTCC and allocated equally among the funds of the four Founding Presbyteries.
- g) Should either of the Jane-Finch Community Ministry or the Davenport-Perth Community Ministry cease to exist prior to 2020, any residual funds for these “ministries” will remain within the Community Ministry Fund of South West Presbytery or its successor, to be used for whatever Community Ministry purpose the court of the then SWP determines.

#### **4. Grants and Loans**

- a) Capital assets estimated at \$1.8 million have been designated by TWPC to continue the support of the Jane-Finch Community Ministry and Davenport-Perth Community Ministry (or their successors) and other related ministries in the former Toronto West Presbytery for the next ten (10) years. These assets will be managed as a separate Fund.
- b) South West Presbytery will annually request PTCC to allocate grant(s) to the community ministries from the monies set aside for Community Ministry in the former Toronto West Presbytery. The funds will provide for annual grants over a period of ten (10) years. Based on current assumptions on interest rates, the capital assets will provide approximately \$204,000 on average for the first five (5) years after the creation of PTCC, and then an amount beginning at \$223,000 in year six declining 20% per year to \$0 in year eleven. The fund would be depleted by the year 2020 if the maximum specified grants take place.

- c) Presbyteries would normally be entitled to request a grant during the course of a year equal to the financial return earned by their fund (net of expenses) during the preceding year as advised to them by the Corporation Treasurer. In any year where a Presbytery applies for a smaller grant than to which they are entitled to apply for in that year, any part of a grant which was not requested to be granted could be added to the amount available for grant requests in future years or at the option of the Presbytery be designated as capital in their fund.
- d) In addition, each Presbytery will be entitled to apply for a grant equivalent to a fixed percent of the capital financial assets in their Fund annually. Normally a concurrence to a capital asset grant could be expected when the amount per year is not greater than five percent (5%) of capital in the Presbytery's Fund as of January 1<sup>st</sup> of that year. There would be an "expected" concurrence by the Corporation, provided proper notice was given, and the intended use of the funds is for capital uses. Notice of three (3) months is required in order for PTCC to lessen potential losses due to early liquidation of investments.
- e) Notwithstanding the three month notice provision any capital loss(s) arising from execution of such grants that would negatively affect income of the other funds would be the responsibility of the requesting Presbytery and be deducted from the amount of their grant and be credited as a capital addition pro-rata to the other funds.
- f) Criteria and procedures will be developed whereby a Presbytery can apply to the corporation to grant a larger percentage of the value of their fund for a church development project\*. Such church development grant requests would be subject to authorization only when the amount would not exceed 10 percent (10%) of the current value of the capital assets in the fund and any project would be limited to one time support of this nature. This would not be an "automatic" grant by the Board. Notice of six (6) months is required in order for PTCC to not suffer losses due to early liquidation of investments. Such grants would also be subject to to the capital loss provisions described above.
- g) An extraordinary procedure will be developed whereby a Presbytery who wishes to request a grant of more than 10% of the capital in its fund for a major church redevelopment project. Such applications should be part of the ongoing financial management process so that PTCC has an opportunity to provide an assessment of the impact to the overall investments of PTCC for all members and at least six (6) months between application and any grant. In any event the capital loss provision described above would apply.
- h) The Presbyteries will be responsible for making their financial projections sufficiently in advance for the corporation to have funds available when required, and in any case no later than September of the year prior to which they are requesting grants of greater than five percent (5%). The larger the request, the longer the lead-time that will be required.

- i) It is understood that proceeds from the sale of surplus real property will be divided equally between the four Presbyteries and allocated to their individual funds as capital funds.
- j) The assets in the St. Enoch's Fund amount to approximately \$285,000. The assets are held in trust by TUCC, and invested in the stock market as part of 28-pooled restricted funds. The trust agreement requires that the capital is to be preserved in perpetuity and the net income, when distributed from the Fund, is to be used by Toronto Southeast Presbytery to meet "human need in the inner city."
- k) The assets received by Toronto Conference over time, as they draw down the Cedar Glenn Fund which is invested by TUCC in the Investing in Ministries' Fund will be, in the first instance, used to top up their contingency provisions and also to establish a technology fund to assist congregations. Once this has been accomplished, it is anticipated that the remaining assets will be transferred to PTCC and divided equally among the Founding Presbyteries.

\*Toronto Conference Definition of Church Development/Redevelopment

*Church development/redevelopment refers to the work of any congregation of congregations working together to redevelop property or programs to meet the needs of the community they serve. This could include but not be limited to amalgamation, specialized ministries such as youth, seniors, and community ministries, and it may or may not involve property.*

## 5. Questions and Answers:

- a) Will PTCC be able to issue CRA receipts on behalf of a Presbytery who receives a bequest or gift from someone?

**No. CRA rules do not permit an organization which has a charitable registration number to issue receipts on behalf on a non-registered organization. Presbyteries are not eligible for registration.**

- b) Under Item (g) in the revised objects of PTCC, the Board invests the funds of the Corporation pursuant to the Trustee Act. Does the Board have authority to invest the funds on behalf of the four Founding Presbyteries who are the founders of the Corporation?

**Yes. However; the funds referred to above would not be trusts as such.**

- c) In the event of a "stock market meltdown," are the Directors and Officers protected in such an event by the Corporation's Directors & Officers Liability insurance policy?

**Yes. If the values of the assets decline, they decline. There is no warranty or indemnity from the Board of Directors that it can ensure stable or growing values of marketable securities; only that the Board exercises due care. The insurance of the directors is for liability, not for the protection of the value of assets.**

- d) Is PTCC able to make loans from their own funds (if they have any) to Congregations and Presbyteries?

**Yes.**

- e) Is PTCC able to make grants from their own funds (if they have any) to applicants?

**Yes. An applicant must submit their proposal to their own Presbytery and obtain the Presbytery approval prior to applying for a grant from PTCC.**

- f) Can the Board of Directors of PTCC "deny" an encroachment on capital that exceeds the limit previously agreed to with an applicant?

**Yes. The Board of Directors has a fiduciary responsibility to ensure that any and all grants and loans are made in accordance with the Bylaws of PTCC and the Operating Agreement.**