



Financial Statements

**The Incorporated Synod of  
the Diocese of Toronto**

December 31, 2010

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Grant Thornton

## Independent Auditors' Report

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To the Members of

### **The Incorporated Synod of the Diocese of Toronto**

We have audited the accompanying financial statements of **The Incorporated Synod of the Diocese of Toronto**, which comprise the statement of financial position as at December 31, 2010, the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and 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 generally accepted accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Diocese'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 Diocese's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Incorporated Synod of the Diocese of Toronto** as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

*Grant Thornton LLP*

Toronto, Ontario  
June 23, 2011

Chartered Accountants  
Licensed Public Accountants

# The Incorporated Synod of the Diocese of Toronto

## Statement of Revenue and Expenses

Year Ended December 31, 2010

|  | Unrestricted Funds    |                     |                     |                     |                     |                   |                     |                     |
|--|-----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|---------------------|
|  | Operating             | Invested            | Total               | Capital Asset       | Restricted          | Endowment         | Total               | Total               |
|  | Fund                  | Operating           | Unrestricted        | Fund                | Funds               | Funds             | 2010                | 2009                |
|  |                       | Funds               | Funds               |                     |                     |                   |                     |                     |
| <b>Revenue</b>                               |                       |                     |                     |                     |                     |                   |                     |                     |
| Parishes                                     | \$ 5,445,173          | \$ -                | \$ 5,445,173        | \$ -                | \$ -                | \$ -              | \$ 5,445,173        | \$ 5,693,538        |
| Fees and donations                           | 213,263               | 593,787             | 807,050             | -                   | -                   | -                 | 807,050             | 1,025,053           |
| Diocesan ACW                                 | -                     | -                   | -                   | -                   | -                   | -                 | -                   | 25,000              |
| Donations - parishioners                     | -                     | -                   | -                   | -                   | 816,343             | -                 | 816,343             | 801,562             |
| Donations - other                            | 1,640                 | 237,042             | 238,682             | -                   | 598,802             | -                 | 837,484             | 696,875             |
| Investment income                            | -                     | 703,046             | 703,046             | -                   | 1,448,432           | 696,295           | 2,847,773           | 4,009,283           |
| Capital appreciation                         | -                     | 842,373             | 842,373             | -                   | 468,810             | 1,073,625         | 2,384,808           | 4,262,836           |
| Property (Note 6)                            | -                     | 6,861,224           | 6,861,224           | -                   | -                   | -                 | 6,861,224           | 1,859,271           |
| Other income                                 | 259,774               | -                   | 259,774             | -                   | -                   | -                 | 259,774             | 443,063             |
|  | <u>5,919,850</u>      | <u>9,237,472</u>    | <u>15,157,322</u>   | <u>-</u>            | <u>3,332,387</u>    | <u>1,769,920</u>  | <u>20,259,629</u>   | <u>18,816,481</u>   |
| <b>Expenses</b>                              |                       |                     |                     |                     |                     |                   |                     |                     |
| The Wider Church                             | 1,609,901             | -                   | 1,609,901           | -                   | -                   | -                 | 1,609,901           | 1,727,500           |
| Episcopal care and leadership                | 1,417,197             | -                   | 1,417,197           | -                   | -                   | -                 | 1,417,197           | 1,403,790           |
| Corporate governance and support services    | 1,417,068             | -                   | 1,417,068           | -                   | -                   | -                 | 1,417,068           | 2,039,247           |
| Church and society                           | 455,478               | -                   | 455,478             | -                   | -                   | -                 | 455,478             | 681,547             |
| Supporting ordained and lay leaders          | 1,252,162             | -                   | 1,252,162           | -                   | -                   | -                 | 1,252,162           | 1,279,682           |
| Church growth and development                | 1,667,963             | -                   | 1,667,963           | -                   | -                   | -                 | 1,667,963           | 1,577,339           |
| Campaign costs                               | -                     | -                   | -                   | -                   | 211,011             | -                 | 211,011             | 168,498             |
| Fund disbursements                           | -                     | 699,676             | 699,676             | -                   | 618,403             | 905,021           | 2,223,100           | 1,612,513           |
| Parish support (Note 12)                     | (6,439)               | 2,453,817           | 2,447,378           | -                   | -                   | -                 | 2,447,378           | 1,476,250           |
| Amortization of capital assets               | -                     | -                   | -                   | 273,131             | -                   | -                 | 273,131             | 241,489             |
|  | <u>7,813,330</u>      | <u>3,153,493</u>    | <u>10,966,823</u>   | <u>273,131</u>      | <u>829,414</u>      | <u>905,021</u>    | <u>12,974,389</u>   | <u>12,207,855</u>   |
| Excess (deficiency) of revenue over expenses | \$ <u>(1,893,480)</u> | \$ <u>6,083,979</u> | \$ <u>4,190,499</u> | \$ <u>(273,131)</u> | \$ <u>2,502,973</u> | \$ <u>864,899</u> | \$ <u>7,285,240</u> | \$ <u>6,608,626</u> |

See accompanying notes to the financial statements.

## The Incorporated Synod of the Diocese of Toronto

### Statement of Changes in Fund Balances

Year Ended December 31, 2010

|   | Unrestricted Funds         |                             |                             |                            |                            |                             |                             |                             |
|---|----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|-----------------------------|-----------------------------|-----------------------------|
|   | Operating                  | Invested                    | Total                       | Capital                    | Restricted                 | Endowment                   | Total                       | Total                       |
|   | Fund                       | Operating                   | Unrestricted                | Asset Fund                 | Funds                      | Funds                       | 2010                        | 2009                        |
|   |                            | Funds                       | Funds                       |                            |                            |                             |                             |                             |
| Fund balances, beginning of year                        | \$ (559,498)               | \$ 23,485,086               | \$ 22,925,588               | \$ 1,726,973               | \$ 1,297,192               | \$ 21,367,091               | <b>\$ 47,316,844</b>        | \$ 40,708,218               |
| Excess (deficiency) of revenue over expenses            | (1,893,480)                | 6,083,979                   | 4,190,499                   | (273,131)                  | 2,502,973                  | 864,899                     | <b>7,285,240</b>            | 6,608,626                   |
| Interfund transfers – First York Rectory Fund (Note 13) | -                          | (1,972,945)                 | (1,972,945)                 | -                          | 1,972,945                  | -                           | -                           | -                           |
| Interfund transfers - other                             | <u>1,888,047</u>           | <u>(335,523)</u>            | <u>1,552,524</u>            | <u>125,002</u>             | <u>(1,583,605)</u>         | <u>(93,921)</u>             | <u>-</u>                    | <u>-</u>                    |
| Fund balances, end of year                              | <b>\$ <u>(564,931)</u></b> | <b>\$ <u>27,260,597</u></b> | <b>\$ <u>26,695,666</u></b> | <b>\$ <u>1,578,844</u></b> | <b>\$ <u>4,189,505</u></b> | <b>\$ <u>22,138,069</u></b> | <b>\$ <u>54,602,084</u></b> | <b>\$ <u>47,316,844</u></b> |

See accompanying notes to the financial statements.

# The Incorporated Synod of the Diocese of Toronto

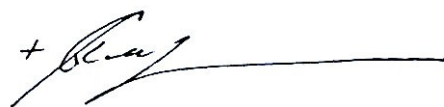
## Statement of Financial Position

December 31, 2010

|  | Unrestricted Funds  |                          |                          |                     |                      |                      |                      |                      |
|--|---------------------|--------------------------|--------------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|  | Operating Fund      | Invested Operating Funds | Total Unrestricted Funds | Capital Asset Fund  | Restricted Funds     | Endowment Funds      | Total 2010           | Total 2009           |
| <b>Assets</b>                            |                     |                          |                          |                     |                      |                      |                      |                      |
| Current                                  |                     |                          |                          |                     |                      |                      |                      |                      |
| Cash and cash equivalents                | \$ 3,408,018        | \$ -                     | \$ 3,408,018             | \$ -                | \$ 250,933           | \$ -                 | \$ 3,658,951         | \$ 1,019,041         |
| Receivables - parishes                   | 1,333,431           | -                        | 1,333,431                | -                   | 142,783              | -                    | 1,476,214            | 1,086,640            |
| - other                                  | 1,223,825           | -                        | 1,223,825                | -                   | -                    | -                    | 1,223,825            | 890,130              |
| Prepays                                  | 13,108              | -                        | 13,108                   | -                   | -                    | -                    | 13,108               | 14,125               |
| Amounts due from Consolidated Trust Fund | 42,453              | -                        | 42,453                   | -                   | -                    | -                    | 42,453               | 1,124,666            |
|  | 6,020,835           | -                        | 6,020,835                | -                   | 393,716              | -                    | 6,414,551            | 4,134,602            |
| Loans receivable (Note 3)                |                     |                          |                          |                     |                      |                      |                      |                      |
| Parishes                                 | 1,342,995           | 3,208,277                | 4,551,272                | -                   | -                    | -                    | 4,551,272            | 4,660,586            |
| Clergy                                   | 6,602               | -                        | 6,602                    | -                   | -                    | -                    | 6,602                | 33,611               |
| Investments (Note 4)                     | -                   | 17,651,092               | 17,651,092               | -                   | 12,954,515           | 22,138,069           | 52,743,676           | 47,966,164           |
| Property (Notes 5 and 6)                 | -                   | 1,059,000                | 1,059,000                | 1,578,844           | -                    | -                    | 2,637,844            | 2,805,973            |
|  | <u>\$ 7,370,432</u> | <u>\$ 21,918,369</u>     | <u>\$ 29,288,801</u>     | <u>\$ 1,578,844</u> | <u>\$ 13,348,231</u> | <u>\$ 22,138,069</u> | <u>\$ 66,353,945</u> | <u>\$ 59,600,936</u> |
| <b>Liabilities</b>                       |                     |                          |                          |                     |                      |                      |                      |                      |
| Current                                  |                     |                          |                          |                     |                      |                      |                      |                      |
| Distributions payable                    | \$ -                | \$ -                     | \$ -                     | \$ -                | \$ 1,142,017         | \$ -                 | \$ 1,142,017         | \$ 1,167,623         |
| Payables and accruals                    | 1,616,444           | -                        | 1,616,444                | -                   | -                    | -                    | 1,616,444            | 1,944,469            |
|  | 1,616,444           | -                        | 1,616,444                | -                   | 1,142,017            | -                    | 2,758,461            | 3,112,092            |
| Employee future benefits (Note 9)        | -                   | -                        | -                        | -                   | 8,993,400            | -                    | 8,993,400            | 9,172,000            |
|  | <u>1,616,444</u>    | <u>-</u>                 | <u>1,616,444</u>         | <u>-</u>            | <u>10,135,417</u>    | <u>-</u>             | <u>11,751,861</u>    | <u>12,284,092</u>    |
| <b>Net Assets</b>                        |                     |                          |                          |                     |                      |                      |                      |                      |
| Interfund balances                       | 6,318,919           | (5,342,228)              | 976,691                  | -                   | (976,691)            | -                    | -                    | -                    |
| Fund balances                            | (564,931)           | 27,260,597               | 26,695,666               | 1,578,844           | 4,189,505            | 22,138,069           | 54,602,084           | 47,316,844           |
|  | <u>5,753,988</u>    | <u>21,918,369</u>        | <u>27,672,357</u>        | <u>1,578,844</u>    | <u>3,212,814</u>     | <u>22,138,069</u>    | <u>54,602,084</u>    | <u>47,316,844</u>    |
|  | <u>\$ 7,370,432</u> | <u>\$ 21,918,369</u>     | <u>\$ 29,288,801</u>     | <u>\$ 1,578,844</u> | <u>\$ 13,348,231</u> | <u>\$ 22,138,069</u> | <u>\$ 66,353,945</u> | <u>\$ 59,600,936</u> |

Contingent liabilities (Note 14)

On behalf of the Diocesan Council




See accompanying notes to the financial statements.

## The Incorporated Synod of the Diocese of Toronto

### Statement of Cash Flows

Year Ended December 31, 2010

|  | Unrestricted Funds |                                |                                |                       |                     |                    |               |               |
|--|--------------------|--------------------------------|--------------------------------|-----------------------|---------------------|--------------------|---------------|---------------|
|  | Operating<br>Fund  | Invested<br>Operating<br>Funds | Total<br>Unrestricted<br>Funds | Capital Asset<br>Fund | Restricted<br>Funds | Endowment<br>Funds | Total<br>2010 | Total<br>2009 |
| Increase (decrease) in cash and cash equivalents     |                    |                                |                                |                       |                     |                    |               |               |
| <b>Operating activities</b>                          |                    |                                |                                |                       |                     |                    |               |               |
| Excess (deficiency) of revenue over expenses         | \$ (1,893,480)     | \$ 6,083,979                   | \$ 4,190,499                   | \$ (273,131)          | \$ 2,502,973        | \$ 864,899         | \$ 7,285,240  | \$ 6,608,626  |
| Add (deduct):  |                    |                                |                                |                       |                     |                    |               |               |
| Amortization   | -                  | -                              | -                              | 273,131               | -                   | -                  | 273,131       | 241,489       |
| Property dispositions                                | -                  | 20,000                         | 20,000                         | -                     | -                   | -                  | 20,000        | (1,079,000)   |
| Employee future benefits                             | -                  | -                              | -                              | -                     | (178,600)           | -                  | (178,600)     | (69,100)      |
| Capital appreciation                                 | -                  | (842,373)                      | (842,373)                      | -                     | (468,810)           | (1,073,625)        | (2,384,808)   | (4,262,836)   |
|  | (1,893,480)        | 5,261,606                      | 3,368,126                      | -                     | 1,855,563           | (208,726)          | 5,014,963     | 1,439,179     |
| Change in non-cash working capital (Page 7)          | (43,231)           | -                              | (43,231)                       | -                     | 49,562              | -                  | 6,331         | (750,239)     |
|  | (1,936,711)        | 5,261,606                      | 3,324,895                      | -                     | 1,905,125           | (208,726)          | 5,021,294     | 688,940       |
| <b>Financing activity</b>                            |                    |                                |                                |                       |                     |                    |               |               |
| Net change in interfund balances                     | 2,866,580          | (2,830,684)                    | 35,896                         | -                     | (35,896)            | -                  | -             | -             |
| Interfund transfers – First York Rectory Fund        | -                  | (1,972,945)                    | (1,972,945)                    | -                     | 1,972,945           | -                  | -             | -             |
| Interfund transfers - other                          | 1,888,047          | (335,523)                      | 1,552,524                      | 125,002               | (1,583,605)         | (93,921)           | -             | -             |
|  | 4,754,627          | (5,139,152)                    | (384,524)                      | 125,002               | 353,444             | (93,921)           | -             | -             |
| <b>Investing activities</b>                          |                    |                                |                                |                       |                     |                    |               |               |
| (Increase) decrease in investments                   | -                  | (485,327)                      | (485,327)                      | -                     | (2,210,025)         | 302,647            | (2,392,705)   | (1,763,491)   |
| Decrease in loans receivable                         | 24,390             | 111,933                        | 136,323                        | -                     | -                   | -                  | 136,323       | 84,277        |
| Purchase of capital assets                           | -                  | -                              | -                              | (125,002)             | -                   | -                  | (125,002)     | (400,576)     |
|  | 24,390             | (373,394)                      | (349,004)                      | (125,002)             | (2,210,025)         | 302,647            | (2,381,384)   | (2,079,790)   |
| Net increase (decrease) in cash and cash equivalents | 2,842,306          | (250,940)                      | 2,591,366                      | -                     | 48,544              | -                  | 2,639,910     | (1,390,850)   |
| Cash and cash equivalents, beginning of year         | 565,712            | 250,940                        | 816,652                        | -                     | 202,389             | -                  | 1,019,041     | 2,409,891     |
| Cash and cash equivalents, end of year               | \$ 3,408,018       | \$ -                           | \$ 3,408,018                   | \$ -                  | \$ 250,933          | \$ -               | \$ 3,658,951  | \$ 1,019,041  |

See accompanying notes to the financial statements.



## The Incorporated Synod of the Diocese of Toronto

### Statement of Cash Flows (continued)

Year Ended December 31, 2010

|  | Unrestricted Funds |                          |                          |                    |                  |                 |              |              |  |
|--|--------------------|--------------------------|--------------------------|--------------------|------------------|-----------------|--------------|--------------|--|
|  | Operating Fund     | Invested Operating Funds | Total Unrestricted Funds | Capital Asset Fund | Restricted Funds | Endowment Funds | Total 2010   | Total 2009   |  |
| Change in non-cash working capital       |                    |                          |                          |                    |                  |                 |              |              |  |
| Receivables                              | \$ (798,437)       | \$ -                     | \$ (798,437)             | \$ -               | \$ 75,168        | \$ -            | \$ (723,269) | \$ 247,575   |  |
| Prepays                                  | 1,017              | -                        | 1,017                    | -                  | -                | -               | 1,017        | 101,469      |  |
| Amounts due from Consolidated Trust Fund | 1,082,213          | -                        | 1,082,213                | -                  | -                | -               | 1,082,213    | (475,928)    |  |
| Payables and accruals                    | (328,024)          | -                        | (328,024)                | -                  | -                | -               | (328,024)    | (597,815)    |  |
| Distributions payable                    | -                  | -                        | -                        | -                  | (25,606)         | -               | (25,606)     | (25,540)     |  |
|  | \$ (43,231)        | \$ -                     | \$ (43,231)              | \$ -               | \$ 49,562        | \$ -            | \$ 6,331     | \$ (750,239) |  |

See accompanying notes to the financial statements.

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# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

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### 1. Purpose

The Diocese of Toronto was incorporated by “*An Act to Incorporate the Synod of the Diocese of Toronto, and to unite the Church Society of the Diocese of Toronto therewith*”, an act of the legislature of Ontario passed on January 23, 1869. The corporation created by this statute is “The Incorporated Synod of the Diocese of Toronto” (“Diocese”). The Diocese is a registered charitable organization and is exempt from income tax.

The mission of the Diocese is to worship God and proclaim Jesus Christ in the power of the Holy Spirit and to embody - in word and action - God’s reconciling love, justice, compassion and liberation – through which knowledge of God’s reign is extended.

The historic purpose of the Diocese is the encouragement and support of clergy, the augmentation of stipends and making provision for the widows and orphans of clergy, the encouragement of education, granting assistance where necessary to those preparing for the ministry, the circulation in the Diocese of the bible and prayer books, obtaining and granting aid towards the erection, endowment and maintenance of churches, and the orderly management of property, affairs and interests of the Church.

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### 2. Summary of significant accounting policies

#### a) Fund accounting

Interfund transfers from Unrestricted Funds, Restricted Funds, and Endowment Funds are not discretionary. The full amount of income available is transferred to the Operating Fund, provided that any restrictions imposed on the use of a particular fund is met.

##### Unrestricted Funds

Revenue and expenses for service delivery activities and administration are reported in the Operating Fund.

Unrestricted investment funds are reported as Invested Operating Funds. Related investment income is reported in the Invested Operating Funds. Related expenditures are reported in the Invested Operating Funds.

##### Capital Asset Fund

The Capital Asset Fund reports the assets, liabilities, revenue and expenses related to capital assets.

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# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

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### 2. Summary of significant accounting policies (continued)

#### Restricted Funds

Funds externally restricted by donors, canons of Synod, or other persons are reported as Restricted Funds. Related investment income is reported in the Restricted Funds.

Restricted Funds include FaithWorks Fund which reports revenue, expenses incurred in raising revenue, and distributions to participants in FaithWorks, an annual financial appeal (Note 8).

#### Endowment Funds

Endowment contributions are reported as Endowment Funds. Related investment income is reported in the Endowment Funds. Included in the Endowment Funds is undistributed accumulated income in the amount of \$1,014,924 (2009 - \$1,317,573)

#### Financial statements

The financial statements include the accounts of The Incorporated Synod of the Diocese of Toronto. They do not include the assets, liabilities, income and expenses of the parishes nor the assets of the funds managed by The Incorporated Synod of the Diocese of Toronto. Funds managed include The Consolidated Trust Fund and The Cemetery Fund which are reported on separately.

The financial statements also do not include the affairs of any diocesan related organizations which are separately incorporated and controlled.

### b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

### c) Financial Instruments

Receivables are classified as loans and receivables and are measured at fair value.

Investments are classified as held for trading and are measured at fair value with capital appreciation (depreciation) being reported on the statement of revenue and expenses.

Payables and accruals and other liabilities are classified as other financial liabilities and are measured at fair value.

### d) Capital assets

Because the historical costs of the Diocese's capital assets acquired prior to January 1, 1993 are not reasonably determinable, these assets have not been capitalized and amortized. This includes the properties set out under the capital assets and other properties note.

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# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

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### 2. Summary of significant accounting policies (continued)

#### Amortization

Capital assets acquired after December 31, 1992 are recorded at cost and amortized over the useful lives of the assets. The annual rates used to amortize assets are as follows:

|                             |                           |
|-----------------------------|---------------------------|
| Computer hardware           | - 3 years, straight-line  |
| Computer software           | - 2 years, straight-line  |
| Leasehold improvements      | - 5 years, straight-line  |
| Diocesan centre renovations | - 10 years, straight-line |

#### e) Revenue recognition

Donations are recorded on the accrual basis, using the restricted fund method of accounting. Proceeds from the FaithWorks appeal are recognized as revenue when pledged. Donations that are designated by the donor for a specific recipient form all or part of the distribution or allocation to the recipient, as appropriate.

Properties contributed to the Diocese are recorded in the financial statements at the net amount realized on their liquidation.

From time to time, the Diocese assumes the management of Church properties from parishes or congregations (former parish properties). This can occur when a church is closed; when a parish or congregation is disestablished or amalgamated with another parish or congregation. Former parish properties assumed by the Diocese are not held as investments used for the operations of the Diocese or to provide the services of the Diocese: the preferred use of the assets is the establishment of a new parish. Management does not exercise control over these former parish properties (other than property management) unless a decision is made to sell the former parish property by the Diocesan Council. When Diocesan Council reaches a decision to sell a former parish property, the fair value of the former parish property is recognized as a contribution to the Ministry Allocation Fund (Invested Operating Funds).

Sundry revenue received from the rental of such properties and the costs of maintaining these properties are included in the revenue and expenses of the unrestricted fund.

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# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

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### 2. Summary of significant accounting policies (continued)

#### f) Post retirement benefits

The Diocese accrues its obligations under clergy and employee benefit plans and the related costs, net of plan assets. The Diocese has adopted the following accounting policies:

- The costs of post retirement benefits earned by clergy and employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected health care costs and the continuing of the post retirement program as currently supported by the Diocese.
- For the purposes of calculating the expected return on plan assets, those assets are valued at market value.
- The excess of the actuarial gain (loss) over 10% of the benefit obligation, resulting from changes in actuarial assumptions used to determine the accrued benefit obligation, is amortized over the average remaining service period of active plan members. The average remaining service period of the active plan members covered by the pension and other benefits plans is 11.2 years.

#### g) Use of estimates

In preparing the Diocese's financial statements, management is required 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 financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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### 3. Loans receivable

Loans to parishes bear interest from zero to the prime rate of interest and terms of repayment vary from on demand to set repayment over periods not exceeding five years. The prime rate of interest is determined by reference to the Diocese's bank prime rate.

# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

### 4. Investments

These investments represent the Diocese's proportionate ownership of outstanding units held in The Consolidated Trust Fund and are valued at fair value. Separate financial statements are prepared for the fund.

Capital and Income funds are held as follows:

|                                      | <u>2010</u>          | <u>2009</u>          |
|--------------------------------------|----------------------|----------------------|
| The Consolidated Trust Fund          |                      |                      |
| Total number of units outstanding    | 526,607              | 554,675              |
| Number of units owned by the Diocese | 266,790              | 252,337              |
| Share of undistributed assets        | \$ 49,532,019        | \$ 44,467,419        |
| Share of distributions receivable    | <u>3,211,657</u>     | <u>3,498,745</u>     |
| Total investments                    | <u>\$ 52,743,676</u> | <u>\$ 47,966,164</u> |

### 5. Capital assets and other properties

|                             |                     |                                     | <u>2010</u>               | <u>2009</u>               |
|-----------------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| a) Capital assets           |                     |                                     |                           |                           |
|                             | <u>Cost</u>         | <u>Accumulated<br/>Amortization</u> | <u>Net<br/>Book Value</u> | <u>Net<br/>Book Value</u> |
| Computer hardware           | \$ 487,408          | \$ 424,365                          | \$ 63,043                 | \$ 36,994                 |
| Computer software           | 47,765              | 23,882                              | 23,883                    | -                         |
| Leasehold improvements      | 405,854             | 310,789                             | 95,065                    | 118,520                   |
| Diocesan centre renovations | <u>1,746,065</u>    | <u>349,212</u>                      | <u>1,396,853</u>          | <u>1,571,459</u>          |
|                             | <u>\$ 2,687,092</u> | <u>\$ 1,108,248</u>                 | <u>\$ 1,578,844</u>       | <u>\$ 1,726,973</u>       |

The Diocese also owns the following capital assets at December 31, 2010, which are insured as follows:

|  |              |
|--|--------------|
| The Diocesan Centre located at 135 Adelaide Street East, Toronto * | \$ 7,227,584 |
| 315 Dundas Street East, Toronto                                    | \$ 2,845,181 |
| 323 Dundas Street East, Toronto                                    | \$ 1,656,817 |
| 327 Dundas Street East, Toronto                                    | \$ 958,452   |
| 270 Braidwood Ave, Peterborough                                    | \$ 1,473,966 |

\* The Centre is situated on land that is leased by the Diocese from the Cathedral. The land lease expired on March 31, 2005. The Diocese and the Cathedral are presently negotiating a new lease. A draft memo of understanding between the Diocese and the Cathedral anticipates a base rent of \$30,000 for 2008 and thereafter, subject to an annual increase for inflation.

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## The Incorporated Synod of the Diocese of Toronto

### Notes to the Financial Statements

December 31, 2010

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#### 5. Capital assets and other properties (continued)

##### b) Other properties

The Diocese owns land which is rented under a 99-year lease (commencing in 1983) which is not a capital asset. The cost of the land is not recorded in these financial statements. Rental income from the 99-year lease of this property in the amount of \$978,009 (2009 - \$922,351) has been recorded as part of the 2010 investment income of the Restricted Funds.

In addition, the Diocese owns undeveloped land as follows:

- Property (undeveloped land) Angeline St. N., Lindsay
- Property (undeveloped land), Columbus, Oshawa
- Property (undeveloped land), Bayly St., Ajax

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#### 6. Former Parish Properties managed and controlled by Diocese

In accordance with the accounting policy for former parish properties managed and controlled by the Diocese, the following properties assumed by the Diocese have not been recorded as revenue in the financial statements and are not recorded on the statement of financial position:

- 1019 Elm Street, Irondale
- Building Tootie and Cameron Street, Cannington
- 10101, 10103 Keele Street, Maple
- 157 Florence Ave., Toronto
- 1311, 1315 Kipling Ave, Etobicoke

During the year, following Diocesan Council approval, several former parish properties were recorded as revenue of the Invested Operating Funds in the amount of \$6,861,224 including \$600,000 for a property that has yet to be sold but has been recorded in revenue at its estimated fair value. This unsold property and another unsold property included in revenue in the prior year at its estimated fair value of \$459,000, are included in property of the Invested Operating Funds.

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#### 7. Bank indebtedness

At December 31, 2010, the Diocese had an unsecured operating line of credit of \$2,000,000, of which the full amount remained available. Interest on funds drawn on the line is calculated at the prime rate of interest as determined by the Diocese's bank.

# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

### 8. FaithWorks Fund 2010 2009

The following are included in restricted funds:

#### Revenue

|                          |                            |                            |
|--------------------------|----------------------------|----------------------------|
| Donations - Parishioners | \$ 816,343                 | \$ 801,562                 |
| - Corporate campaign     | 231,035                    | 323,537                    |
| - Other                  | 367,767                    | 293,337                    |
| Investment income        | <u>67,117</u>              | <u>26,269</u>              |
|                          | <b>\$ <u>1,482,262</u></b> | <b>\$ <u>1,444,705</u></b> |

#### Fund disbursements

FaithWorks distributions:

|  |                            |                            |
|--|----------------------------|----------------------------|
| All Saints Church Community Centre         | \$ 265,000                 | \$ 300,000                 |
| Flemingdon Park Ministries                 | 209,503                    | 260,000                    |
| Primates World Relief and Development Fund | 101,653                    | 112,955                    |
| Other designated                           | 15,835                     | 40,444                     |
| The Dam                                    | 70,000                     | 65,000                     |
| The Bridge                                 | 63,100                     | 63,100                     |
| Anglican United Refugee Alliance           | -                          | 47,000                     |
| Downsview Youth Covenant                   | 46,500                     | 46,500                     |
| LOFT Community Services                    | 50,592                     | 45,444                     |
| Samaritan House                            | 41,400                     | 41,400                     |
| Episcopal area outreach                    | 44,175                     | 40,078                     |
| Retained by parishes for outreach          | 93,456                     | 85,170                     |
| David Busby Centre                         | 40,000                     | 33,000                     |
| North House                                | 28,654                     | 29,113                     |
| Couchiching Jubilee House                  | 26,250                     | 26,250                     |
| TUNM (Toronto Urban Native Ministry)       | 25,900                     | 25,000                     |
| Buckhorn Rural Outreach                    | -                          | 24,200                     |
| Philip Aziz Centre                         | 25,000                     | 20,000                     |
| Anglican Appeal                            | 18,290                     | 14,468                     |
| PEACH                                      | -                          | 2,000                      |
| Council of the North                       | -                          | 926                        |
| Alliance                                   | 45,000                     | -                          |
| ROC  | <u>26,064</u>              | <u>-</u>                   |
|  | <b>\$ <u>1,236,372</u></b> | <b>\$ <u>1,322,048</u></b> |



# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

| <b>8. FaithWorks Fund (continued)</b>                   | <b><u>2010</u></b>      | <b><u>2009</u></b>        |
|---|-------------------------|---------------------------|
| <b>Campaign costs</b>                                   |                         |                           |
| Staffing  | 117,609                 | 114,000                   |
| Printing - campaign material                            | 56,851                  | 24,302                    |
| Travel  | 1,445                   | 1,375                     |
| Service fees  | 5,428                   | 4,530                     |
| Shipping and postage                                    | 1,099                   | 12,109                    |
| Other   | <u>28,581</u>           | <u>12,182</u>             |
|   | <b><u>211,013</u></b>   | <b><u>168,498</u></b>     |
| <b>Total disbursements/campaign costs</b>               | <b><u>1,447,385</u></b> | <b><u>1,490,546</u></b>   |
| <b>Excess (deficiency) of revenue over expenditures</b> | <b>\$ <u>34,877</u></b> | <b>\$ <u>(45,841)</u></b> |

### **9. Employee future benefits**

#### *Retirement benefits*

The Diocese provides retirement health care benefits to its clergy and employees. Under the cost sharing arrangement, 75% of premiums are paid by the Diocese. The obligation recorded in the financial statements and the information provided below is the Diocese's portion and does not include the portion (25%) paid by the retirees.

|   |                            |                            |
|---|----------------------------|----------------------------|
| Information about the health care benefits plan is as follows:  | <b><u>2010</u></b>         | <b><u>2009</u></b>         |
| Expense for the year  | <b>\$ <u>249,700</u></b>   | <b>\$ <u>371,400</u></b>   |
| Accrued benefit obligation                                      | <b>\$ <u>7,849,600</u></b> | <b>\$ <u>6,756,700</u></b> |
| Market value of plan assets                                     | <b><u>416,600</u></b>      | <b><u>386,900</u></b>      |
| Funded status before segregated restricted funds - plan deficit | <b>\$ <u>7,433,000</u></b> | <b>\$ <u>6,369,800</u></b> |
| Restricted funds segregated for retirement benefits             | <b>\$ <u>8,047,308</u></b> | <b>\$ <u>7,589,313</u></b> |
| Accrued benefit liability                                       | <b>\$ <u>8,993,400</u></b> | <b>\$ <u>9,172,000</u></b> |
| Other information:  |                            |                            |
| Benefits paid during the year                                   | <b>\$ <u>428,300</u></b>   | <b>\$ <u>386,500</u></b>   |
| Significant actuarial assumptions are as follows:               |                            |                            |
| Health care cost trend rates                                    |                            |                            |
| Health  | <b>8.0%</b>                | <b>8.0%</b>                |
| Dental  | <b>4.0%</b>                | <b>4.0%</b>                |

A discount rate of 6.4% was used for 2010 benefit cost. The discount rate has been reduced to 5.25% for the disclosure as at December 31, 2010. The discount rate was determined in accordance with Section 3461 of the CICA Handbook.

# The Incorporated Synod of the Diocese of Toronto

## Notes to the Financial Statements

December 31, 2010

### 9. Employee future benefits (continued)

#### *Employee pension plan*

The clergy and the lay employees of the Diocese are also members of the General Synod Pension Plan, a specified multi-employer pension plan administered by the Pension Office of the Anglican Church of Canada. Contributions to the plan are made by clergy, parishes, employees and the Diocese. The Diocese's share of contributions made to the pension plan amounted to \$338,066 (2009 - \$324,502).

### 10. Financial instruments

#### Credit risk

The Diocese is subject to credit risk through receivables and loans receivable. The Diocese maintains a provision for potential losses of \$634,226 (2009 - \$1,005,110) and any such losses to date have been within management's expectations.

#### Interest rate risk

The Diocese's earnings are exposed to the interest rate risk that arises from fluctuations in interest rates and the degree of volatility of these rates. The Diocese does not use derivative instruments to alter its exposure to interest rate risk.

#### Fair value

The Diocese's estimate of the fair value of receivables, amounts due from/to related funds, loans receivable, distributions payable and other payables and accruals approximates the carrying value.

### 11. Expense allocation

|                          | The<br>Wider<br>Church | Episcopal<br>care &<br>leadership | Corporate<br>governance<br>& support | Church &<br>society | Supporting<br>ordained &<br>lay leaders | Church<br>growth &<br>development | Contingency | 2010         | 2009         |
|--------------------------|------------------------|-----------------------------------|--------------------------------------|---------------------|---|-----------------------------------|-------------|--------------|--------------|
| Direct costs             | \$ 1,609,901           | \$ 274,075                        | \$ 608,156                           | \$ 371,029          | \$ 838,116                              | \$ 932,766                        | \$ (6,439)  | \$ 4,267,604 | \$ 5,488,288 |
| Salaries and<br>Benefits | -                      | 1,143,122                         | 808,912                              | 84,449              | 414,046                                 | 735,197                           | -           | 3,185,726    | 3,332,280    |
| Total                    | \$ 1,609,901           | \$ 1,417,197                      | \$ 1,417,068                         | \$ 455,478          | \$ 1,252,162                            | \$ 1,667,963                      | \$ (6,439)  | \$ 7,813,330 | \$ 8,820,568 |

#### Allocation method:

Personnel costs are allocated based on staff estimates of time spent on each functional area.

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## The Incorporated Synod of the Diocese of Toronto

### Notes to the Financial Statements

December 31, 2010

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#### 12. Parish support

The Diocese is able to support Parishes through the Ministry Allocation Fund. Grants from these funds are used for capital purposes, ministry enhancements and to support new forms of ministry. In 2010, the following grants were distributed:

##### Ministry Grants

|                            |           |
|----------------------------|-----------|
| St. Paul, Bloor Street     | \$ 50,000 |
| St. Elizabeth, Mississauga | 80,000    |
| St. George-the-Martyr      | 25,000    |
| St. Anne, Toronto          | 82,500    |
| St. John, Ida              | 15,000    |
| Trinity, Port Credit       | 80,000    |
| Redeemer, Bloor Street     | 48,700    |
| Christ Memorial Church     | 17,000    |
| Ascension, Port Perry      | 20,000    |
| St. Clements, Eglinton     | 15,000    |
| St. John the Evangelist    | 15,000    |

##### Real Estate Grants

|                           |           |
|---------------------------|-----------|
| All Saints' Sherbourne    | 250,000   |
| St. Wilfrid, Islington    | 601,182   |
| Carlton Fund              | 25,000    |
| St. Margaret, New Toronto | 1,000,000 |

##### Other Grants

|       |                     |
|-------|---------------------|
| Other | 122,996             |
|       | <u>\$ 2,447,378</u> |

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#### 13. First York Rectory Fund

During 2010, it was determined that payments made according to an agreement drafted by the First York Rectors in 1990, were inappropriately allocated to the First York Rectors Fund. In order to correct this misallocation, Diocesan Council approved the transfer of \$1,972,945 from the Ministry Allocation Fund to the First York Rectory Fund.

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#### 14. Contingent liabilities

The Diocese is listed as a co-defendant in a claim seeking damages of \$1,150,000 for incidents involving sexual abuse, breach of duty of care plus special damages for pre-judgement interest on any sums awarded, solicitor costs, and such further relief as decided by the court.

In addition, the Diocese is aware of a complainant seeking compensation for damages related to alleged incidents of sexual abuse by a parish lay employee.

Management has accrued amounts considered reasonable for settlement of these cases.

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## **The Incorporated Synod of the Diocese of Toronto**

### **Notes to the Financial Statements**

December 31, 2010

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#### **15. Comparative figures**

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.