



Financial Statements

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

December 31, 2011

Contents

	Page
Independent Auditor's Report	1
Statement of Revenue and Expenses	3
Statement of Changes in Fund Balances	4
Statement of Financial Position	5
Statement of Cash Flows	6 - 7
Notes to the Financial Statements	8 - 18



Grant Thornton

Independent Auditor's Report

Grant Thornton LLP
19th Floor, Royal Bank Plaza South Tower
200 Bay Street, Box 55
Toronto, ON
M5J 2P9
T (416) 366-0100
F (416) 360-4949
www.GrantThornton.ca

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, 2011, 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, 2011, 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
May 17, 2012

Chartered Accountants
Licensed Public Accountants

The Incorporated Synod of the Diocese of Toronto

Statement of Revenue and Expenses

Year Ended December 31, 2011

	Unrestricted Funds							
	Operating	Invested	Total	Capital Asset	Restricted	Endowment	Total	Total
	Fund	Operating	Unrestricted	Fund	Funds	Funds	2011	2010
		Funds	Funds					
Revenue								
Parishes	\$ 5,521,108	\$ -	\$ 5,521,108	\$ -	\$ -	\$ -	\$ 5,521,108	\$ 5,445,173
Fees and donations	375,931	1,615	377,546	-	-	-	377,546	807,050
Donations – Our Faith-Our Hope								
Capital Campaign (Note 8b)	-	-	-	-	5,757,584	-	5,757,584	593,971
Donations – Faithworks, parishes (Note 8a)	-	-	-	-	647,860	-	647,860	816,343
Donations – Faithworks other (Note 8a)	941	21,141	22,082	-	520,737	-	542,819	837,484
Investment income	-	945,911	945,911	-	1,600,326	919,267	3,465,504	2,847,773
Capital (depreciation)/appreciation	-	(960,067)	(960,067)	-	(589,962)	(1,083,916)	(2,633,945)	2,384,808
Property (Note 6)	-	5,297,261	5,297,261	-	-	-	5,297,261	6,861,224
Other income	277,142	-	277,142	-	-	-	277,142	259,774
	<u>6,175,122</u>	<u>5,305,861</u>	<u>11,480,983</u>	<u>-</u>	<u>7,936,545</u>	<u>(164,649)</u>	<u>19,252,879</u>	<u>20,853,600</u>
Expenses								
The Wider Church	1,609,571	-	1,609,571	-	-	-	1,609,571	1,609,901
Episcopal care and leadership	1,472,439	-	1,472,439	-	-	-	1,472,439	1,417,197
Corporate governance and support services	1,735,902	-	1,735,902	-	-	-	1,735,902	1,417,068
Church and society	464,214	-	464,214	-	-	-	464,214	455,478
Supporting ordained and lay leaders	1,295,638	-	1,295,638	-	-	-	1,295,638	1,252,162
Church growth and development	1,680,676	-	1,680,676	-	-	-	1,680,676	1,667,963
Campaign costs - Our Faith-Our Hope								
Capital Campaign (Note 8b)	-	-	-	-	4,110,985	-	4,110,985	1,191,289
Campaign Costs – Faithworks (Note 8a)	-	-	-	-	196,826	-	196,826	211,012
Fund disbursements	-	587,764	587,764	-	841,883	749,189	2,178,836	1,625,781
Parish support (Note 12)	(9,644)	3,515,887	3,506,243	-	-	-	3,506,243	2,447,378
Amortization of capital assets	-	-	-	299,869	-	-	299,869	273,131
	<u>8,248,796</u>	<u>4,103,651</u>	<u>12,352,447</u>	<u>299,869</u>	<u>5,149,694</u>	<u>749,189</u>	<u>18,551,199</u>	<u>13,568,360</u>
Excess (deficiency) of revenue over expenses	\$ <u>(2,073,674)</u>	\$ <u>1,202,210</u>	\$ <u>(871,464)</u>	\$ <u>(299,869)</u>	\$ <u>2,786,851</u>	\$ <u>(913,838)</u>	\$ <u>701,680</u>	\$ <u>7,285,240</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, 2011

	Unrestricted Funds							
	Operating	Invested	Total	Capital	Restricted	Endowment	Total	Total
	Fund	Operating	Unrestricted	Asset Fund	Funds	Funds	2011	2010
		Funds	Funds					
Fund balances, beginning of year	\$ (564,931)	\$ 27,260,597	\$ 26,695,666	\$ 1,578,844	\$ 4,189,505	\$ 22,138,069	\$ 54,602,084	\$47,316,844
Excess (deficiency) of revenue over expenses	(2,073,674)	1,202,210	(871,464)	(299,869)	2,786,851	(913,838)	701,680	7,285,240
Interfund transfers - other	<u>2,076,306</u>	<u>247,862</u>	<u>2,324,168</u>	<u>111,323</u>	<u>(2,150,499)</u>	<u>(284,992)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	\$ <u>(562,299)</u>	\$ <u>28,710,669</u>	\$ <u>28,148,370</u>	\$ <u>1,390,298</u>	\$ <u>4,825,857</u>	\$ <u>20,939,239</u>	\$ <u>55,303,764</u>	\$ <u>54,602,084</u>

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Toronto

Statement of Financial Position

December 31, 2011

	Unrestricted Funds								
	Operating Fund	Invested Operating Funds	Total Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2011	Total 2010	
Assets									
Current									
Cash and cash equivalents	\$ 2,492,401	\$ -	\$ 2,492,401	\$ -	\$ 2,727,026	\$ -	\$ 5,219,427	\$ 3,658,951	
Receivables - parishes	1,280,787	-	1,280,787	-	76,190	-	1,356,977	1,476,214	
- other	1,077,866	-	1,077,866	-	-	-	1,077,866	1,223,825	
Prepays	-	-	-	-	-	-	-	13,108	
Amounts due from Consolidated Trust Fund	530,410	-	530,410	-	-	-	530,410	42,453	
	5,381,464	-	5,381,464	-	2,803,216	-	8,184,680	6,414,551	
Loans receivable (Note 3)									
Parishes	1,041,181	2,203,931	3,245,112	-	-	-	3,245,112	4,551,272	
Clergy	6,431	-	6,431	-	-	-	6,431	6,602	
Investments (Note 4)	-	17,214,559	17,214,559	-	12,638,889	20,939,239	50,792,687	52,743,676	
Property (Notes 5 and 6)	-	4,565,000	4,565,000	1,390,298	-	-	5,955,298	2,637,844	
	<u>\$ 6,429,076</u>	<u>\$ 23,983,490</u>	<u>\$ 30,412,566</u>	<u>\$ 1,390,298</u>	<u>\$ 15,442,105</u>	<u>\$ 20,939,239</u>	<u>\$ 68,184,208</u>	<u>\$ 66,353,945</u>	
Liabilities									
Current									
Distributions payable	\$ -	\$ -	\$ -	\$ -	\$ 2,452,812	\$ -	\$ 2,452,812	\$ 1,142,017	
Payables and accruals	1,543,132	-	1,543,132	-	-	-	1,543,132	1,616,444	
	1,543,132	-	1,543,132	-	2,452,812	-	3,995,944	2,758,461	
Employee future benefits (Note 9)	-	-	-	-	8,884,500	-	8,884,500	8,993,400	
	1,543,132	-	1,543,132	-	11,337,312	-	12,880,444	11,751,861	
Net Assets									
Interfund balances	5,448,243	(4,727,179)	721,064	-	(721,064)	-	-	-	
Fund balances	(562,299)	28,710,669	28,148,370	1,390,298	4,825,857	20,939,239	55,303,764	54,602,084	
	4,885,944	23,983,490	28,869,434	1,390,298	4,104,793	20,939,239	55,303,764	54,602,084	
	<u>\$ 6,429,076</u>	<u>\$ 23,983,490</u>	<u>\$ 30,412,566</u>	<u>\$ 1,390,298</u>	<u>\$ 15,442,105</u>	<u>\$ 20,939,239</u>	<u>\$ 68,184,208</u>	<u>\$ 66,353,945</u>	

Contingent liabilities (Note 13)

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, 2011

	Unrestricted Funds								
	Operating Fund	Invested Operating Funds	Total Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2011	Total 2010	
Increase (decrease) in cash and cash equivalents									
Operating activities									
Excess (deficiency) of revenue over expenses	\$ (2,073,674)	\$ 1,202,210	\$ (871,464)	\$ (299,869)	\$ 2,786,851	\$ (913,838)	\$ 701,680	\$ 7,285,240	
Add (deduct):									
Amortization	-	-	-	299,869	-	-	299,869	273,131	
Unsold former parish properties (Note 6)	-	(3,506,000)	(3,506,000)	-	-	-	(3,506,000)	(600,000)	
Former parishes properties sold, recorded as income in prior year	-	-	-	-	-	-	-	620,000	
Employee future benefits	-	-	-	-	(108,900)	-	(108,900)	(178,600)	
Capital depreciation (appreciation)	-	960,068	960,068	-	589,962	1,083,916	2,633,946	(2,384,808)	
	(2,073,674)	(1,343,722)	(3,417,396)	-	3,267,913	170,078	20,595	5,014,963	
Change in non-cash working capital (Page 7)	(349,558)	-	(349,558)	-	1,377,388	-	1,027,830	6,331	
	(2,423,232)	(1,343,722)	(3,766,954)	-	4,645,301	170,078	1,048,425	5,021,294	
Financing activity									
Net change in interfund balances	(1,395,989)	615,049	(780,940)	-	780,940	-	-	-	
Interfund transfers - other	2,601,619	247,863	2,849,482	111,323	(2,675,812)	(284,993)	-	-	
	1,205,630	862,912	2,068,542	111,323	(1,894,872)	(284,993)	-	-	
Investing activities									
(Increase) decrease in investments	-	(523,536)	(523,536)	-	(274,336)	114,915	(682,957)	(2,392,705)	
Decrease in loans receivable	301,985	1,004,346	1,306,331	-	-	-	1,306,331	136,323	
Purchase of capital assets	-	-	-	(111,323)	-	-	(111,323)	(125,002)	
	301,985	480,810	782,795	(111,323)	(274,336)	114,915	512,051	(2,381,384)	
Net increase (decrease) in cash and cash equivalents	(915,617)	-	(915,617)	-	2,476,093	-	1,560,476	2,639,910	
Cash and cash equivalents, beginning of year	3,408,018	-	3,408,018	-	250,933	-	3,658,951	1,019,041	
Cash and cash equivalents, end of year	\$ 2,492,401	\$ -	\$ 2,492,401	\$ -	\$ 2,727,026	\$ -	\$ 5,219,427	\$ 3,658,951	

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Toronto

Statement of Cash Flows (continued)

Year Ended December 31, 2011

	Unrestricted Funds								
	Operating Fund	Invested Operating Funds	Total Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2011	Total 2010	
Change in non-cash working capital									
Receivables	\$ 198,603	\$ -	\$ 198,603	\$ -	\$ 66,593	\$ -	\$ 265,196	\$ (723,269)	
Prepays	13,108	-	13,108	-	-	-	13,108	1,017	
Amounts due from Consolidated Trust Fund	(487,957)	-	(487,957)	-	-	-	(487,957)	1,082,213	
Payables and accruals	(73,312)	-	(73,312)	-	-	-	(73,312)	(328,024)	
Distributions payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,310,795</u>	<u>-</u>	<u>1,310,795</u>	<u>(25,606)</u>	
	\$ (349,558)	\$ -	\$ (349,558)	\$ -	\$ 1,377,388	\$ -	\$ 1,027,830	\$ 6,331	

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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.

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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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 and Our Faith – Our Hope Fund. Both Funds report revenue, expenses incurred in raising revenue, and distributions to participants. (Note 8 a & b).

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 \$900,009 (2010 - \$1,014,924)

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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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
Website Improvements	- 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 except for the donations for the Our Faith – Our Hope Capital Campaign which are recorded on the cash basis, using the restricted fund method of accounting. 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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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.

h) Future accounting changes

On December 31, 2010, the Accounting Standards Board issued Part III of the Accounting Handbook: Accounting Standards for Not-for-Profit Organizations ("ASNPO"). The standards are effective for annual financial statements relating to fiscal years beginning on or after January 1, 2012. The standards are applicable to all not-for-profit organizations. Not-for-profit organizations maintain the option to adopt International Financial Reporting Standards. Early adoption is permitted. The Diocese has decided to adopt Part III ASNPO for the fiscal year beginning January 1, 2012.

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, 2011

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>2011</u>	<u>2010</u>
The Consolidated Trust Fund		
Total number of units outstanding	541,702	526,607
Number of units owned by the Diocese	270,078	266,790
Share of undistributed assets	\$ 47,569,509	\$ 49,532,019
Share of distributions receivable	<u>3,223,178</u>	<u>3,211,657</u>
Total investments	<u>\$ 50,792,687</u>	<u>\$ 52,743,676</u>

5. Capital assets and other properties

			<u>2011</u>	<u>2010</u>
a) Capital assets				
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer hardware	\$ 520,072	\$ 466,016	\$ 54,056	\$ 63,043
Computer software	53,762	50,763	2,999	23,883
Website improvements	27,365	13,683	13,682	-
Leasehold improvements	451,151	353,836	97,315	95,065
Diocesan centre renovations	<u>1,746,065</u>	<u>523,819</u>	<u>1,222,246</u>	<u>1,396,853</u>
	<u>\$ 2,798,415</u>	<u>\$ 1,408,117</u>	<u>\$ 1,390,298</u>	<u>\$ 1,578,844</u>

The Diocese also owns the following capital assets at December 31, 2011, which are insured as follows:

The Diocesan Centre located at 135 Adelaide Street East, Toronto *	\$ 7,516,687
315 Dundas Street East, Toronto	\$ 2,958,991
323 Dundas Street East, Toronto	\$ 1,723,090
327 Dundas Street East, Toronto	\$ 996,790

* 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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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 \$990,619 (2010 - \$978,009) has been recorded as part of the 2011 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

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 \$5,297,261 including \$3,506,000 for properties that have yet to be sold but have been recorded in revenue at their estimated fair value. These unsold properties and unsold properties of prior year which aggregate \$4,565,000, are included in property of the Invested Operating Funds.

7. Bank indebtedness

At December 31, 2011, 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, 2011

8 Restricted Funds

a) FaithWorks Fund

2011

2010

The following are included in restricted funds:

Revenue

Donations - Parishioners	\$ 647,860	\$ 816,343
- Corporate campaign	256,541	231,035
- Other	264,196	367,767
Investment income	<u>80,797</u>	<u>67,117</u>
	<u>\$ 1,249,394</u>	<u>\$ 1,482,262</u>

Fund disbursements

FaithWorks distributions:

All Saints Church Community Centre	\$ 298,000	\$ 265,000
Flemingdon Park Ministries	220,140	209,503
Primates World Relief and Development Fund	114,432	101,653
Other designated	4,309	15,835
The Dam	64,040	70,000
The Bridge	62,900	63,100
Anglican United Refugee Alliance	51,400	45,000
Downsview Youth Covenant	49,600	46,500
LOFT Community Services	50,840	50,592
Samaritan House	41,600	41,400
Episcopal area outreach	36,736	44,175
Retained by parishes for outreach	83,147	93,456
David Busby Centre	34,410	40,000
North House	26,279	28,654
Couchiching Jubilee House	26,190	26,250
TUNM (Toronto Urban Native Ministry)	25,000	25,900
Philip Aziz Centre	27,500	25,000
Anglican Appeal	18,195	18,290
ROC	<u>24,052</u>	<u>26,064</u>
	<u>\$ 1,258,770</u>	<u>\$ 1,236,372</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

a) FaithWorks Fund (continued)	<u>2011</u>	<u>2010</u>
Campaign costs		
Staffing	\$ 121,066	\$ 117,609
Printing - campaign material	36,269	56,851
Travel	1,293	1,445
Service fees	2,188	5,428
Shipping and postage	7,925	1,099
Other	<u>28,085</u>	<u>28,581</u>
	<u>196,826</u>	<u>211,013</u>
Total disbursements/campaign costs	<u>1,455,596</u>	<u>1,447,385</u>
(Deficiency) excess of revenue over expenditures	\$ <u>(206,202)</u>	\$ <u>34,877</u>

b) Our Faith – Our Hope Fund	<u>2011</u>	<u>2010</u>
-------------------------------------	--------------------	--------------------

The following are included in restricted funds:

Revenue		
Donations - to Diocese	\$ 2,447,672	\$ 315,500
- to Parishes	5,516,520	278,471
Less: rebate to parishes	<u>(2,206,608)</u>	<u>-</u>
	\$ <u>5,757,584</u>	\$ <u>593,971</u>
Campaign costs		
Staffing and consulting	\$ 3,569,943	\$ 973,388
Printing - campaign material	144,055	18,988
Travel	142,525	46,089
Office	62,846	93,277
Service fees	62,760	-
Shipping and postage	20,166	999
Other	<u>108,690</u>	<u>58,548</u>
	<u>4,110,985</u>	<u>1,191,289</u>
Excess (deficiency) of revenue over expenditures	\$ <u>1,646,599</u>	\$ <u>(597,317)</u>

The campaign costs incurred from the inception in 2010 of the Our Faith – Our Hope Fund campaign of \$5,302,274 have generated donations and pledges of \$31,504,091 including: gross revenues recognized in fiscal 2011 and 2010 of \$7,964,192 and \$593,971 respectively and uncollected pledges as at December 31, 2011 of \$22,945,928 that have not been recorded in these financial statements. These pledges are due over five years to 2016.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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:	<u>2011</u>	<u>2010</u>
Expense for the year	\$ <u>329,600</u>	\$ <u>249,700</u>
Accrued benefit obligation	\$ <u>9,091,400</u>	\$ <u>7,849,600</u>
Market value of plan assets	<u>482,500</u>	<u>416,600</u>
Funded status before segregated restricted funds - plan deficit	\$ <u>8,608,900</u>	\$ <u>7,433,000</u>
Restricted funds segregated for retirement benefits	\$ <u>7,915,906</u>	\$ <u>8,047,308</u>
Accrued benefit liability	\$ <u>8,884,500</u>	\$ <u>8,993,400</u>
Other information:		
Benefits paid during the year	\$ <u>438,500</u>	\$ <u>428,300</u>
Significant actuarial assumptions are as follows:		
Health care cost trend rates		
Health	7.0%	8.0%
Dental	4.0%	4.0%

A discount rate of 4.20% (2010 – 5.25%) was used to determine the accrued benefit obligation as of December 31, 2011. The discount rate was determined in accordance with Section 3461 of the CICA Handbook.

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 \$410,251 (2010 - \$338,066).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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 \$796,300 (2010 - \$634,226) 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 Wider Church	Episcopal care & leadership	Corporate governance & support	Church & society	Supporting ordained & lay leaders	Church growth & development	Contingency	2011	2010
Direct costs	\$ 1,609,571	\$ 240,573	\$ 895,416	\$ 376,562	\$ 862,195	\$ 836,452	\$ (9,644)	\$ 4,811,125	\$ 4,267,604
Salaries and Benefits	-	1,231,866	840,486	87,652	433,443	844,224	-	3,437,671	3,185,726
Total	\$ 1,609,571	\$ 1,472,439	\$ 1,735,902	\$ 464,214	\$ 1,295,638	\$ 1,680,676	\$ (9,644)	\$ 8,248,796	\$ 7,813,330

Allocation method:

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

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2011

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 2011, the following grants were distributed:

Ministry Grants

Christ Memorial Church, Oshawa	\$ 10,000
St. Anne, Toronto	102,500
St. Clements, Eglinton	15,000
St. Elizabeth, Mississauga	12,500
St. George-the-Martyr	75,000
St. John, Ida	12,500
St. Paul, Beaverton	13,630
St. Paul, Bloor Street	30,000
Trinity, Port Credit	40,000

Real Estate Grants

Carlton Fund	25,000
Meadowvale West Church Centre	908,801
St. James Cathedral	2,000,000
St. Thomas, Shanty Bay	175,000

Other Grants

Other	86,312
	<u>\$ 3,506,243</u>

13. 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.

14. Comparative figures

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