



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2014

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Independent Auditor's 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, 2014, 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 accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian accounting standards for not-for-profit organizations.

Grant Thornton LLP

Toronto, Canada
May 21, 2015

Chartered Accountants
Licensed Public Accountants

The Incorporated Synod of the Diocese of Toronto

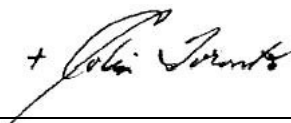
Statement of Financial Position

As at December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2014	Total 2013 (Restated - Note 3)
Assets						
Current						
Cash	\$ 4,748,645	\$ -	\$ 3,960,414	\$ -	\$ 8,709,059	\$ 5,337,354
Receivables - parishes	1,008,352	-	4,989	-	1,013,341	1,063,258
- other	858,441	-	80,520	-	938,961	1,322,787
Prepays	25,894	-	-	-	25,894	18,163
	6,641,332	-	4,045,923	-	10,687,255	7,741,562
Loans receivable (Note 4)						
Parishes	4,239,279	-	-	-	4,239,279	4,569,200
Clergy	5,000	-	-	-	5,000	6,431
Investments in the Consolidated Trust Fund (Note 5)	83,927,896	-	16,388,171	25,817,232	126,133,299	117,872,551
Investments - Other (Note 6)	-	-	5,701,878	-	5,701,878	5,442,950
Capital assets and properties (Notes 7a and 7b)	1,070,000	1,114,109	-	-	2,184,109	5,011,818
Other property (Note 8)	-	-	-	-	-	-
	<u>\$ 95,883,507</u>	<u>\$ 1,114,109</u>	<u>\$ 26,135,972</u>	<u>\$ 25,817,232</u>	<u>\$ 148,950,820</u>	<u>\$ 140,644,512</u>
Liabilities						
Current						
Distributions payable	\$ -	\$ -	\$ 1,812,307	\$ -	\$ 1,812,307	\$ 1,783,543
Payables and accruals	1,979,487	-	-	-	1,979,487	2,908,746
	1,979,487	-	1,812,307	-	3,791,794	4,692,289
Deferred benefit liability (Notes 3 and 10)	-	-	9,649,700	-	9,649,700	8,659,700
Parish Consolidated Trust Fund liabilities (Note 5)	56,763,651	-	-	-	56,763,651	52,972,603
	58,743,138	-	11,462,007	-	70,205,145	66,324,592
Fund balances						
Unrestricted	37,140,369	1,114,109	-	-	38,254,478	35,514,249
Internally restricted	-	-	13,732,695	62,550	13,795,245	13,151,410
Externally restricted	-	-	941,270	8,601,705	9,542,975	8,528,897
Endowment	-	-	-	17,152,977	17,152,977	17,125,364
	37,140,369	1,114,109	14,673,965	25,817,232	78,745,675	74,319,920
	<u>\$ 95,883,507</u>	<u>\$ 1,114,109</u>	<u>\$ 26,135,972</u>	<u>\$ 25,817,232</u>	<u>\$ 148,950,820</u>	<u>\$ 140,644,512</u>

Commitments (Note 16)

On behalf of the Diocesan Council




See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Statement of Revenue and Expenses

Year ended December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2014	Total 2013 (Restated - Note 3)
Revenue						
Parishes	\$ 5,288,195	\$ -	\$ -	\$ -	\$ 5,288,195	\$ 5,789,972
Fees and donations	377,035	-	-	-	377,035	883,925
Donations - FaithWorks (Note 11a)	-	-	1,311,926	-	1,311,926	1,416,550
Donations - Our Faith - Our Hope - Capital Campaign (Note 11b)	-	-	2,702,626	-	2,702,626	3,295,579
Investment income	1,307,592	-	1,812,690	942,880	4,063,162	3,791,096
Capital appreciation	1,078,306	-	892,269	1,092,629	3,063,204	6,835,014
Properties (Note 7b)	1,862,059	-	-	-	1,862,059	3,290,038
Other income	300,902	-	420,560	-	721,462	461,687
	<u>10,214,089</u>	<u>-</u>	<u>7,140,071</u>	<u>2,035,509</u>	<u>19,389,669</u>	<u>25,763,861</u>
Expenses						
The Wider Church	1,623,698	-	-	-	1,623,698	1,608,171
Episcopal care and leadership	1,571,890	-	-	-	1,571,890	1,629,928
Corporate governance and support services	1,326,162	-	-	-	1,326,162	1,709,057
Church and society	410,967	-	-	-	410,967	468,904
Supporting ordained and lay leaders	1,283,818	-	-	-	1,283,818	1,226,935
Church growth and development	1,764,566	-	-	-	1,764,566	1,879,553
Campaign costs - FaithWorks (Note 11a)	-	-	184,932	-	184,932	196,794
Campaign costs - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	152,541	-	152,541	158,191
Fund distributions and disbursements - FaithWorks (Note 11a)	-	-	1,212,470	-	1,212,470	1,204,658
Fund distributions and disbursements - Our Faith - Our Hope (Note 11b)	-	-	1,989,810	-	1,989,810	193,616
Fund distributions and disbursements - Other	209,511	-	357,143	660,575	1,227,229	264,675
Parish support (Note 14)	1,133,450	-	-	-	1,133,450	2,747,994
Amortization of capital assets	-	317,281	-	-	317,281	287,596
	<u>9,324,062</u>	<u>317,281</u>	<u>3,896,896</u>	<u>660,575</u>	<u>14,198,814</u>	<u>13,576,072</u>
Excess (deficiency) of revenue over expenses	<u>\$ 890,027</u>	<u>\$ (317,281)</u>	<u>\$ 3,243,175</u>	<u>\$ 1,374,934</u>	<u>\$ 5,190,855</u>	<u>\$ 12,187,789</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

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Deferred benefit remeasurement	Endowment Funds	Total 2014	Total 2013 (Restated - Note 3)
Fund balances, beginning of year	\$ 34,364,431	\$ 1,149,818	\$ 14,197,558	\$ -	\$ 24,680,413	\$ 74,392,220	\$ 62,048,631
Change in accounting policy (Note 3)	-	-	(155,800)	83,500	-	(72,300)	(207,100)
Fund balances, beginning of year, as restated	34,364,431	1,149,818	14,041,758	83,500	24,680,413	74,319,920	61,841,531
Excess (deficiency) of revenue over expenses	890,027	(317,281)	3,243,175	-	1,374,934	5,190,855	12,187,789
Retirement benefits remeasurements and other items (Note 15)	-	-	-	(765,100)	-	(765,100)	290,600
Interfund transfers	1,885,911	281,572	(1,929,368)	-	(238,115)	-	-
Fund balances, end of year	<u>\$ 37,140,369</u>	<u>\$ 1,114,109</u>	<u>\$ 15,355,565</u>	<u>\$ (681,600)</u>	<u>\$ 25,817,232</u>	<u>\$ 78,745,675</u>	<u>\$ 74,319,920</u>
Fund balances, end of year							
Unrestricted	\$ 37,140,369	\$ 1,114,109	\$ -	\$ -	\$ -	\$ 38,254,478	\$ 35,514,249
Internally restricted	-	-	13,732,695	-	62,550	13,795,245	13,151,410
Externally restricted	-	-	1,622,870	(681,600)	8,601,705	9,542,975	8,528,897
Endowment	-	-	-	-	17,152,977	17,152,977	17,125,364
	<u>\$ 37,140,369</u>	<u>\$ 1,114,109</u>	<u>\$ 15,355,565</u>	<u>\$ (681,600)</u>	<u>\$ 25,817,232</u>	<u>\$ 78,745,675</u>	<u>\$ 74,319,920</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Statement of Cash Flows

Year ended December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2014	Total 2013 (Restated - Note 3)
Increase (decrease) in cash						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ 890,027	\$ (317,281)	\$ 3,243,175	\$ 1,374,934	\$ 5,190,855	\$ 12,187,789
Add (deduct):						
Capital appreciation	(1,078,306)	-	(892,269)	(1,092,629)	(3,063,204)	(6,835,014)
Unsold former parish properties	(1,408,000)	-	-	-	(1,408,000)	(2,417,000)
Non-cash portion of deferred benefit liability	-	-	549,100	-	549,100	499,300
Amortization of capital assets	-	317,281	-	-	317,281	287,596
	(1,596,279)	-	2,900,006	282,305	1,586,032	3,722,671
Change in non-cash working capital (Page 7)	(564,323)	-	89,840	-	(474,483)	(1,891,978)
	(2,160,602)	-	2,989,846	282,305	1,111,549	1,830,693
Financing activity						
Interfund transfers	1,885,911	281,572	(1,929,368)	(238,115)	-	-
Investing activities						
(Increase) decrease in loans receivable	331,352	-	-	-	331,352	(1,523,160)
(Increase) decrease in investments (net)	(1,134,969)	-	(486,265)	(44,190)	(1,665,424)	(5,640,926)
Former parishes properties sold, recognized as income in prior year	4,200,000	-	-	-	4,200,000	1,225,000
Purchase of capital assets	-	(281,572)	-	-	(281,572)	(254,738)
Pension contributions	-	-	(324,200)	-	(324,200)	(362,300)
	3,396,383	(281,572)	(810,465)	(44,190)	2,260,156	(6,556,124)
Net change in cash	3,121,692	-	250,013	-	3,371,705	(4,725,431)
Cash, beginning of year	1,626,953	-	3,710,401	-	5,337,354	10,062,785
Cash, end of year	\$ 4,748,645	\$ -	\$ 3,960,414	\$ -	\$ 8,709,059	\$ 5,337,354
Additional cash flow information						
Remeasurements and other items	\$ -	\$ -	\$ (765,100)	\$ -	\$ (765,100)	\$ 290,600

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Statement of Cash Flows (continued)

Year ended December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2014	Total 2013 (Restated - Note 3)
Change in non-cash working capital						
Receivables	\$ 312,630	\$ -	\$ 121,113	\$ -	\$ 433,743	\$ (256,559)
Prepays	(7,731)	-	-	-	(7,731)	(18,163)
Distributions payable	-	-	28,764	-	28,764	(87,714)
Payables and accruals	<u>(869,222)</u>	<u>-</u>	<u>(60,037)</u>	<u>-</u>	<u>(929,259)</u>	<u>(1,529,542)</u>
	\$ (564,323)	\$ -	\$ 89,840	\$ -	\$ (474,483)	\$ (1,891,978)

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

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” (the “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 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, the granting of assistance where necessary to those preparing for the ministry, the circulation in the Diocese of the bible and prayer books, the obtaining and granting of aid towards the erection, endowment and maintenance of churches, and the orderly management of property, affairs and interests of the Church.

Related parties to the Diocese include The Cemetery Fund of The Incorporate Synod of the Diocese of Toronto, The Anglican Diocese of Toronto Foundation and the parishes of the Diocese.

2. Summary of significant accounting policies

Basis of accounting

The Diocese has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit organizations. Canadian accounting standards for not-for-profit organizations are part of Canadian generally accepted accounting principles.

Canadian accounting standards for not-for-profit organizations requires entities to select policies appropriate for their circumstances from policies provided in these standards. The following are the policies selected by the Diocese and applied in these financial statements.

Financial statements

The financial statements report the accounts of The Incorporated Synod of the Diocese of Toronto including funds managed in the Consolidated Trust Fund (the “Fund”) which acts as the investment arm of the Diocese and parishes. They do not include the assets, liabilities, income and expenses of the parishes other than what is held in the Fund on their behalf. It also does not include the assets of The Cemetery Fund managed by The Incorporated Synod of the Diocese of Toronto. Financial statements are prepared for The Cemetery Fund as it is a separate entity.

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

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Fund accounting

The activities of the Diocese are accounted for utilizing the concepts of restricted fund accounting. Interfund transfers between Unrestricted Funds, Restricted Funds, and Endowment Funds are not discretionary. The amount of income available is transferred to the Unrestricted Funds, provided that any restriction 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 Unrestricted Funds.

Unrestricted investment funds are reported as Unrestricted Funds. Related investment income and expenditures are reported in the Unrestricted Funds.

Former parish properties assumed by the Diocese are recognized as property in the Unrestricted Funds when the Diocesan Council reaches a decision to sell the former parish property. The related contribution of the property is recognized as property revenue in the Unrestricted Funds.

Capital Asset Fund

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

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 and Our Faith - Our Hope Fund donations. Revenue and expenses incurred in raising revenue, and distributions to participants for both campaigns are disclosed in Notes 11a and 11b.

Deferred benefit remeasurement

This fund represents the accumulated remeasurements and other items (actuarial gains and losses, past service costs and gains or losses from curtailments or settlements) related to the retirement health care benefit plan. This is externally restricted as the funding for the retirement health care benefit plan is from Restricted Funds.

Endowment Funds

Endowment contributions, representing donations where external restrictions require the principal to be maintained in perpetuity, are recognized as income of the Endowment Funds. Related investment income is reported in the Endowment Funds. Included in the Endowment Funds is undistributed accumulated income in the amount of \$829,574 (2013 - \$794,672).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Revenue recognition

Donations are recorded when the amount can be reasonably estimated and collection is reasonably assured. Donations for the Our Faith - Our Hope Capital Campaign are recognized on a cash basis due to the uncertainty of ultimate collection.

Properties contributed to the Diocese are recognized as income at the net amount realized on 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 or 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 (Unrestricted 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 Funds. Sundry revenue, investment income and capital appreciation are recognized as earned.

Investments

Investments are stated at fair value which has been determined by reference to the last bid price of these investments.

Financial instruments

The Diocese considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Diocese's financial instruments comprise cash, receivables, loans receivables, investments, distributions payable and payables.

Financial assets and liabilities obtained in arm's length transactions are initially recorded at their fair value and financial assets and liabilities obtained in related party transactions are initially measured at their exchange amount. The Diocese subsequently measures all of its financial assets and liabilities at amortized cost, except for investments, which are measured at fair value.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Capital assets

As 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 other properties in Notes 8a and 8b.

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
Diocesan parking lot	- over building lease term

Employee future benefits

Deferred benefit liability

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

- The cost of employee future benefits earned by clergy and employees are actuarially determined using the projected benefit method prorated on service and management's best estimate of the expected future health care costs and retirement ages of employees and the continuing of the employee future benefits program as currently supported by the Diocese.
- The current service cost and finance cost related to the plan are expensed in the statement of operations each period.

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. Accordingly, the information that would normally be required to be disclosed is not available. As a result, disclosure is limited to disclosing contributions to the plan. Contributions to the employee pension plan are made by clergy, parishes, employees and the Diocese.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

2. Summary of significant accounting policies (continued)

Use of estimates

Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment.

These estimates are reviewed periodically and adjustments are made to assets, liabilities and excess (deficiency) of revenue over expenses as appropriate in the year they become known.

Significant items subject to estimates include the allowance for doubtful accounts, the useful lives of capital assets and properties, the fair value of parish properties and assumptions used in the calculation of employee future benefit obligations.

3. Change in accounting policy

Effective January 1, 2014, the Diocese retrospectively adopted the new accounting standards for employee future benefits, Section 3463 - *Reporting employee future benefits by not-for-profit organizations* and Section 3462 - *Employee Future Benefits*. The most significant impact is that the deferred benefit liability reflects the plan deficit and does not reflect the deferral of actuarial gains and losses previously deferred and amortized over the estimated average remaining life of the benefit group.

This change in accounting policy was applied retrospectively and the figures for 2013 have been restated as follows:

<u>December 31, 2013</u>	<u>Previously Reported</u>	<u>Adjustments</u>	<u>Restated</u>
Statement of Financial Position			
Deferred benefit liability	\$ 8,587,400	72,300	\$ 8,659,700
Fund balances	\$ 74,392,220	(72,300)	\$ 74,319,920
Statement of Revenue and Expenses			
Fund distributions and disbursements	\$ 1,507,149	155,800	\$ 1,662,949
Excess (deficiency) of revenue over expenses	\$ 12,343,589	(155,800)	\$ 12,187,789
Statement of Changes in Fund Balances			
Restricted Funds	\$ 14,197,558	(155,800)	\$ 14,041,758
Deferred benefit re-measurement	\$ -	83,500	\$ 83,500
Fund balances	\$ 74,392,220	(72,300)	\$ 74,319,920
Statement of Cash Flows			
Operating activities:			
Excess (deficiency) of revenue over expenses	\$ 12,343,589	(155,800)	\$ 12,187,789
Non-cash portion of deferred benefit liability	\$ (18,800)	518,100	\$ 499,300
Investing activities:			
Pension contributions	\$ -	(362,300)	\$ (362,300)

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

4. Loans receivable

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

5. Consolidated Trust Fund

The Fund was created by statute (54 Victoria, C101) on May 4, 1891 to provide for the management and investment of the trust funds under the control of the Diocese as one undivided fund. By statute (1936), parishes and other church related bodies were permitted to invest in the Fund.

The assets and liabilities of the Fund are as follows:

	<u>2014</u>	<u>2013</u>
Assets		
Cash	\$ 2,572,170	\$ 2,571,009
Interest receivable	53,279	55,894
Investments at fair value (Schedule 1)	<u>123,561,434</u>	<u>115,290,648</u>
	<u>126,186,883</u>	<u>117,917,551</u>
Liabilities		
Dividends payable	3,340,002	3,263,501
Due to the Diocese	122,569	648,124
Accrued liabilities	<u>53,584</u>	<u>45,000</u>
	<u>3,516,155</u>	<u>3,956,625</u>
Net assets	<u>122,670,728</u>	<u>113,960,926</u>
Elimination:		
Dividends payable to Diocese and Parishes	3,340,002	3,263,501
Due to Diocese	<u>122,569</u>	<u>648,124</u>
Adjusted net assets	<u>\$126,133,299</u>	<u>\$117,872,551</u>

Details of the Fund are contained in Schedule 1 to the financial statements.

	<u>2014</u>	<u>2013</u>
Diocese:		
Share of undistributed assets	\$ 65,930,496	\$ 61,005,691
Share of dividends payable	3,316,583	3,246,133
Due to Diocese	<u>122,569</u>	<u>648,124</u>
	<u>69,369,648</u>	<u>64,899,948</u>
Parishes (not available for Diocesan use):		
Share of undistributed assets	56,740,232	52,955,235
Share of dividends payable	<u>23,419</u>	<u>17,368</u>
	<u>56,763,651</u>	<u>52,972,603</u>
	<u>\$126,133,299</u>	<u>\$117,872,551</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

6. Investments - Other

Investments are carried at fair value and are held as follows:

	<u>2014</u>	<u>2013</u>
Short-term investments	\$ 312,085	\$ 4,652,795
Bonds	1,881,645	-
Equities	<u>3,508,148</u>	<u>790,155</u>
	<u>\$ 5,701,878</u>	<u>\$ 5,442,950</u>

7. Capital assets and properties

a) Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2014 Net Book Value</u>	<u>2013 Net Book Value</u>
Computer hardware	\$ 593,295	\$ 567,348	\$ 25,947	\$ 44,875
Computer software	337,479	313,910	23,569	19,249
Leasehold improvements	719,116	508,548	210,568	47,336
Diocesan centre renovations	1,746,065	1,047,639	698,426	873,033
Diocesan parking lot	<u>175,049</u>	<u>19,450</u>	<u>155,599</u>	<u>165,325</u>
	<u>\$ 3,571,004</u>	<u>\$ 2,456,895</u>	<u>\$ 1,114,109</u>	<u>\$ 1,149,818</u>

b) Properties

During the year, following Diocesan Council approval, a former parish property was recorded as revenue in the Unrestricted Funds offset by adjustments to the value of properties held for sale. This, combined with a gain on sale of another property resulted in revenue in the Unrestricted Funds in the amount of \$1,862,059 (2013 - \$3,290,038). Unsold properties aggregate to \$1,070,000 (2013 - \$3,862,000) and are included as property of the Unrestricted Funds.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

8. Other property

- a) The Diocese owns or leases the following other property assets which are not recorded in the financial statements. These properties are insured as follows as of December 31, 2014:

The Diocesan Centre located at 135 Adelaide Street East, Toronto *	\$ 5,965,439
315 Dundas Street East, Toronto	3,077,354
323 Dundas Street East, Toronto	1,792,014
327 Dundas Street East, Toronto	1,036,662

- * The Diocesan Centre is situated on land that is leased by the Diocese from The Cathedral Church of St. James. Based on the agreement dated December 9, 2013, the land lease which expired on March 31, 2005 was extended to March 31, 2030. The Diocese agrees to pay a base rent of \$30,000 for 2008 and thereafter, subject to an annual increase for inflation, as well as to lease 12 parking spaces for a total sum of \$175,049 payable in instalments with the final instalment due January 2015.

- b) The Diocese owns land which is rented under a 99-year lease (commencing in 1983). 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 \$1,145,968 (2013 - \$1,197,564) has been recorded as investment income of the Restricted Funds.

In addition, the Diocese owns undeveloped land on Bayly St., Ajax and Columbus Road, Oshawa, which are not recorded in these financial statements.

- c) 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 or recognized in the statement of financial position:

- Building Trootie and Cameron Street, Cannington
- 10101, 10103 Keele Street, Maple
- 1311, 1315 Kipling Ave, Etobicoke
- 76 King Street East, Colborne
- 2516 11th Line, Bradford

9. Bank indebtedness

At December 31, 2014, the Diocese had an unsecured operating line of credit of \$2,000,000 (2013 - \$2,000,000), however, it has not been drawn upon (2013 - \$Nil). Interest on funds drawn on the line is calculated at the prime rate of interest as determined by the Diocese's bank.

One standby letter of credit is outstanding with a value of \$11,435 (2013 - \$61,535), however, it has not been drawn upon (2013 - \$Nil).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

10. Deferred benefit liability

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>2014</u>	<u>2013</u> (Restated - Note 3)
Expense for the year	<u>\$ 224,900</u>	<u>\$ 137,000</u>
Accrued benefit obligation	<u>\$ 9,649,700</u>	<u>\$ 8,659,700</u>
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status before segregated restricted funds - plan deficit and deferred benefit liability	<u>\$ 9,649,700</u>	<u>\$ 8,659,700</u>
Restricted funds segregated for retirement benefits	<u>\$ 10,529,552</u>	<u>\$ 9,791,739</u>
Other information:		
Benefits paid during the year	<u>\$ 324,200</u>	<u>\$ 362,300</u>

Significant actuarial assumptions are as follows:

Health care cost trend rates		
Health	7.5%	7.5%
Dental	4.5%	4.5%

A discount rate of 3.9% (2013 - 4.60%) was used to determine the deferred benefit liability as of December 31, 2014. The discount rate was determined in accordance with Section 3463 of the CICA Handbook.

The last full valuation of the post-retirement benefits was as of December 31, 2012.

Employee pension plan

The Diocese's share of contributions made to the pension plan amounted to \$424,816 (2013 - \$399,039).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

11. Restricted Funds

a) FaithWorks

FaithWorks activity during the year was as follows:

	<u>2014</u>	<u>2013</u>
Revenue		
Donations - Parishioners	\$ 722,136	\$ 652,040
- Corporate campaign	231,802	236,130
- Other	<u>357,988</u>	<u>528,380</u>
	<u>1,311,926</u>	1,416,550
Investment income	<u>85,694</u>	<u>55,016</u>
	<u>1,397,620</u>	<u>1,471,566</u>
FaithWorks distributions:		
All Saints Church Community Centre	298,000	298,000
Flemingdon Park Ministries	220,140	220,140
Primates World Relief and Development Fund	124,432	119,432
LOFT Community Services	57,869	67,460
The Dam	64,040	65,480
The Bridge	62,900	65,400
Anglican United Refugee Alliance	46,400	46,400
Downsview Youth Covenant	44,600	44,600
Voice of the Martyrs	43,477	-
Samaritan House	41,600	41,600
David Busby Centre	34,410	34,410
North House	25,740	26,819
Couchiching Jubilee House	26,190	26,190
TUNM (Toronto Urban Native Ministry)	25,000	25,000
Philip Aziz Centre	22,500	22,500
Anglican Appeal	17,183	13,588
St. John, Peterborough Community Outreach	15,000	-
St. John, Lakefield After-School Program	5,000	-
Street to Trail Association	200	5,000
Mission to Seafarers	1,689	4,660
Other designated	(3,328)	1,681
Episcopal areas	<u>39,428</u>	<u>76,298</u>
	<u>1,212,470</u>	<u>1,204,658</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

11. Restricted Funds (continued)

a) FaithWorks (continued)

	<u>2014</u>	<u>2013</u>
Campaign costs		
Staffing	97,465	97,465
Printing - campaign material	69,986	77,551
Design	779	-
Travel	1,863	701
Shipping and postage	5,641	7,950
Other	9,198	13,127
	<u>184,932</u>	<u>196,794</u>
Total distributions and campaign costs	<u>1,397,402</u>	<u>1,401,452</u>
Excess of revenue over distributions and campaign costs	<u>\$ 218</u>	<u>\$ 70,114</u>

b) Our Faith - Our Hope Capital Campaign

Our Faith - Our Hope Capital Campaign activity during the year was as follows:

	<u>2014</u>	<u>2013</u>
Revenue		
Donations - to Diocese	\$ 64,688	\$ 544,187
- to Parishes	4,783,231	4,646,705
Less: Rebate to parishes	<u>(2,145,293)</u>	<u>(1,895,313)</u>
	<u>2,702,626</u>	<u>3,295,579</u>
Investment income	<u>20,466</u>	<u>67,535</u>
	<u>2,723,092</u>	<u>3,363,114</u>
Fund disbursements		
Our Faith - Our Hope distributions:		
Leadership Development	32,915	123,098
Pioneering Ministry	395,570	8,000
Communicating in a Wireless World	257,922	35,000
Enabling Parishes to become Multi-staffed	290,992	27,518
Adaptive Reuse of Parish Facilities	1,012,411	-
	<u>1,989,810</u>	<u>193,616</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

11. Restricted Funds (continued)

b) Our Faith - Our Hope Capital Campaign (continued)

	<u>2014</u>	<u>2013</u>
Campaign costs		
Staffing and consulting	52,355	52,365
Printing - campaign material	9,989	4,485
Post campaign expenses	3,589	6,540
Travel	8,623	15,591
Office	7,523	5,022
Service fees	58,622	65,235
Shipping and postage	8,729	8,834
Other	<u>3,111</u>	<u>119</u>
	<u>152,541</u>	<u>158,191</u>
Total distributions and campaign costs	<u>2,142,351</u>	<u>351,807</u>
Excess of revenue over distributions and campaign costs	<u>\$ 580,741</u>	<u>\$ 3,011,307</u>

The campaign costs incurred from the inception of the Our Faith - Our Hope Fund Capital campaign in 2010 of \$5,970,891 have generated donations and pledges of \$38,831,420 including: gross revenue recognized in fiscal 2014, 2013, 2012, 2011 and 2010 of \$4,847,919, \$5,190,892, \$7,656,841, \$7,964,192 and \$593,971, respectively and uncollected pledges as at December 31, 2014 of \$12,577,605 that have not been recorded in these financial statements. These pledges are due over two years to 2016.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

12. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments. It is management's opinion that the Diocese is not exposed to significant risk arising from its 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 \$661,921 (2013 - \$826,078) and any such losses to date have been within management's expectations.

Liquidity risk

The Diocese is exposed to liquidity risk mainly in respect to distributions payable and payables. The Diocese manages its liquidity risk by forecasting cash flows from operations and investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations.

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.

Market risk

The Diocese's investments are subject to market rate risk that arises from fluctuations in market prices and the degree of volatility of these prices.

13. Expense allocation

	The Wider Church	Episcopal care and leadership	Corporate governance and support services	Church and ordained and supporting lay leaders	Church growth and development	2014	2013	
Direct costs	\$1,623,698	\$ 361,378	\$ 395,223	\$ 317,777	\$ 840,745	\$ 854,213	\$4,860,879	
Salaries and benefits	-	1,210,512	930,939	93,190	443,073	910,353	3,555,373	
Total	<u>\$1,623,698</u>	<u>\$1,571,890</u>	<u>\$1,326,162</u>	<u>\$ 410,967</u>	<u>\$1,283,818</u>	<u>\$ 1,764,566</u>	<u>\$7,981,101</u>	<u>\$8,416,252</u>

Personnel costs are allocated based on the estimated time spent by staff on each functional area.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

14. 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. During the year, the following grants were distributed:

	<u>2014</u>
<u>Ministry Grants</u>	
All Saints, Sherbourne	\$ 86,340
Ascension, Port Perry	30,156
Cathedral Church of St. James	25,000
Christ Church, Bolton	8,413
Christ Church, St. James	13,000
Epiphany and St. Mark	2,700
Grace Church in Scarborough	40,000
Jeremiah Community	67,720
Mandarin Project	60,750
St. Aidan, Toronto	16,000
St. Andrew Alliston	79,850
St. Clement, Eglinton	74,410
St. David, Orillia	5,550
St. George-the-Martyr, Parkdale	105,000
St. John, Peterborough	14,250
St. John, Ida	5,000
St. Margaret, New Toronto	124,000
St. Mary Magdalene	73,083
St. Peter, Cobourg	25,000
St. Stephen-in-the-Fields	30,000
Trinity, Aurora	55,000
Other	3,385
 <u>Real Estate Grants</u>	
St. Columba	141,703
 <u>Other Grants</u>	
Reach Grants	<u>47,140</u>
	<u>\$ 1,133,450</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2014

15. Retirement benefits remeasurements and other items

Retirement benefits remeasurements and other items for the period include actuarial gains and losses, past service costs and gains and losses arising from any settlements and curtailments of benefits. These amounts are recorded directly in the statement of changes in fund balances rather than the statement of revenue and expenses.

16. Commitments

The Diocese is committed under various agreements for vehicles and office rentals for future minimum annual payments over the next 5 years are as follows:

2015	\$	180,152
2016		109,045
2017		67,839
2018		55,511
2019		36,369

17. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2014 financial statements.

The Incorporated Synod of the Diocese of Toronto

Schedule 1 - Details of the Consolidated Trust Fund

December 31

Investments

Investments are carried at fair value which results in capital gains or losses being allocated to unit holders.

	<u>2014</u>	%	<u>2013</u>	%
Short term deposits	\$ 6,154,901	5	\$ 5,253,413	5
Bonds	39,254,305	32	33,130,742	29
Stocks	76,296,500	62	74,035,052	64
Real Estate	<u>1,855,728</u>	1	<u>2,871,441</u>	2
	<u>\$ 123,561,434</u>	100	<u>\$ 115,290,648</u>	100

Changes in Net Assets

Changes in the net assets of the Fund are as follows:

	<u>2014</u>	<u>2013</u>
Net assets, beginning of year	\$ 113,960,926	\$ 99,597,211
Add: Contributions	6,227,765	4,220,247
Capital appreciation	6,755,841	15,197,965
Interest and dividends	3,517,630	3,176,717
Less: Withdrawals	(2,737,458)	(3,372,762)
Distributions	(4,532,008)	(4,353,697)
Expenses	<u>(521,968)</u>	<u>(504,755)</u>
Net assets, end of year	<u>\$ 122,670,728</u>	<u>\$ 113,960,926</u>
Number of units outstanding, end of year	562,540	546,505
Number of units owned by the Diocese	302,342	292,556
Number of units owned by parishes	260,198	253,949
Net assets, end of year, per unit	218.07	208.53
Distribution per unit	8.23	8.02
Net earnings	9,751,503	17,869,927
Average number of units outstanding	554,478	544,509
Net gain per unit	17.59	32.82

The Consolidated Trust Fund is a unitized fund which is valued quarterly. Deposits and withdrawals are valued at the unit value as at the end of the quarter in which they occur.

The aggregate income and capital distribution for the year was at the rate of \$8.23 (2013 - \$8.02) per unit, representing a 4.5% return on investments on June 30, 2013 based on a three year rolling average, calculated semi-annually. The Investment Committee of the Diocese reviews this rate annually, to ensure that it is reasonable relative to the total return of the Fund and the annual rate of inflation.

The dividend is allocated to unitholders quarterly, pro-rata to the number of units held at the beginning of the quarter.