



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2013

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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 ("Diocese"), which comprise the statement of financial position as at December 31, 2013, 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 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, 2013, 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.

Toronto, Ontario
September 25, 2014



Chartered Accountants
Licensed Public Accountants

The Incorporated Synod of the Diocese of Toronto

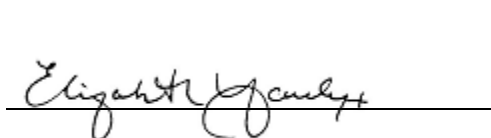
Statement of Financial Position

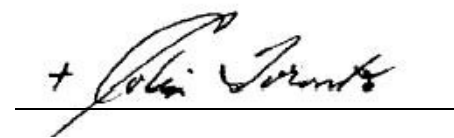
December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2013	Restated (Note 3) Total 2012
Assets						
Current						
Cash and cash equivalents	\$ 1,626,953	\$ -	\$ 3,710,401	\$ -	\$ 5,337,354	\$ 10,062,785
Receivables - parishes	858,186	-	205,072	-	1,063,258	1,208,255
- other	1,321,237	-	1,550	-	1,322,787	921,231
Prepays	18,163	-	-	-	18,163	-
	3,824,539	-	3,917,023	-	7,741,562	12,192,271
Loans receivable (Note 4)						
Parishes	4,569,200	-	-	-	4,569,200	3,046,040
Clergy	6,431	-	-	-	6,431	6,431
Investments in the Consolidated Trust Fund (Notes 3 and 5)	77,923,573	-	15,268,565	24,680,413	117,872,551	102,808,092
Investments – Other (Note 6)	-	-	5,442,950	-	5,442,950	-
Capital assets and properties (Notes 7a and 7b)	3,862,000	1,149,818	-	-	5,011,818	3,852,676
Other property (Note 8)	-	-	-	-	-	-
	<u>\$ 90,185,743</u>	<u>\$ 1,149,818</u>	<u>\$ 24,628,538</u>	<u>\$ 24,680,413</u>	<u>\$ 140,644,512</u>	<u>\$ 121,905,510</u>
Liabilities						
Current						
Distributions payable	\$ -	\$ -	\$ 1,783,543	\$ -	\$ 1,783,543	\$ 1,871,257
Payables and accruals	2,848,709	-	60,037	-	2,908,746	4,438,288
	2,848,709	-	1,843,580	-	4,692,289	6,309,545
Employee future benefits (Note 11)	-	-	8,587,400	-	8,587,400	8,606,200
Parish Consolidated Trust Fund liabilities (Note 3)	52,972,603	-	-	-	52,972,603	44,941,134
	55,821,312	-	10,430,980	-	66,252,292	59,856,879
Fund balances	34,364,431	1,149,818	14,197,558	24,680,413	74,392,220	62,048,631
	34,364,431	1,149,818	14,197,558	24,680,413	74,392,220	62,048,631
	<u>\$ 90,185,743</u>	<u>\$ 1,149,818</u>	<u>\$ 24,628,538</u>	<u>\$ 24,680,413</u>	<u>\$ 140,644,512</u>	<u>\$ 121,905,510</u>

Contingent liabilities (Note 15)

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 2013	Total 2012
Revenue						
Parishes	\$ 5,789,972	\$ -	\$ -	\$ -	\$ 5,789,972	\$ 5,764,831
Fees and donations	778,516	-	-	-	778,516	328,417
Donations – FaithWorks (Note 10a)	-	-	1,416,550	-	1,416,550	1,218,631
Donations – Our Faith - Our Hope Capital Campaign (Note 10b)	-	-	3,295,579	-	3,295,579	4,663,786
Investment income	948,122	-	2,044,021	917,596	3,909,739	3,514,022
Capital appreciation	2,844,771	-	1,136,674	2,853,569	6,835,014	2,034,639
Properties (Note 7b)	3,290,038	-	-	-	3,290,038	5,197,875
Other income	343,044	-	-	-	343,044	320,024
	<u>13,994,463</u>	<u>-</u>	<u>7,892,824</u>	<u>3,771,165</u>	<u>25,658,452</u>	<u>23,042,225</u>
Expenses						
The Wider Church	1,608,171	-	-	-	1,608,171	1,608,154
Episcopal care and leadership	1,524,519	-	-	-	1,524,519	1,546,513
Corporate governance and support services	1,709,057	-	-	-	1,709,057	1,697,313
Church and society	468,904	-	-	-	468,904	496,256
Supporting ordained and lay leaders	1,226,935	-	-	-	1,226,935	1,499,168
Church growth and development	1,879,553	-	-	-	1,879,553	1,852,759
Campaign Costs – FaithWorks (Note 10a)	-	-	196,794	-	196,794	174,179
Campaign costs - Our Faith - Our Hope Capital Campaign (Note 10b)	-	-	158,191	-	158,191	396,365
Fund distributions and disbursements (Notes 10a & 10b)	230,679	-	637,902	638,568	1,507,149	1,732,305
Parish support (Note 14)	2,747,994	-	-	-	2,747,994	5,487,650
Amortization of capital assets	-	287,596	-	-	287,596	291,696
	<u>11,395,812</u>	<u>287,596</u>	<u>992,887</u>	<u>638,568</u>	<u>13,314,863</u>	<u>16,782,358</u>
Excess (deficiency) of revenue over expenses	<u>\$ 2,598,651</u>	<u>\$ (287,596)</u>	<u>\$ 6,899,937</u>	<u>\$ 3,132,597</u>	<u>\$ 12,343,589</u>	<u>\$ 6,259,867</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	Endowment Funds	Total 2013	Total 2012
Fund balances, beginning of year	\$ 29,776,234	\$ 1,182,676	\$ 9,351,954	\$ 21,737,767	\$ 62,048,631	\$ 55,788,764
Excess (deficiency) of revenue over expenses	2,598,651	(287,596)	6,899,937	3,132,597	12,343,589	6,259,867
Interfund transfers	<u>1,989,546</u>	<u>254,738</u>	<u>(2,054,333)</u>	<u>(189,951)</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ 34,364,431</u>	<u>\$ 1,149,818</u>	<u>\$ 14,197,558</u>	<u>\$ 24,680,413</u>	<u>\$ 74,392,220</u>	<u>\$ 62,048,631</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 2013	Restated (Note 3) Total 2012
Increase (decrease) in cash and cash equivalents						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ 2,598,651	\$ (287,596)	\$ 6,899,937	\$ 3,132,597	\$ 12,343,589	\$ 6,259,867
Add (deduct):						
Capital appreciation	(2,844,771)	-	(1,136,674)	(2,853,569)	(6,835,014)	(2,034,639)
Amortization of capital assets	-	287,596	-	-	287,596	291,696
Unsold former parish properties (Note 7b)	(2,417,000)	-	-	-	(2,417,000)	-
Former parishes properties sold, recognized as income in prior year	1,225,000	-	-	-	1,225,000	2,380,000
Employee future benefits	-	-	(18,800)	-	(18,800)	(278,300)
	(1,438,120)	-	5,744,463	279,028	4,585,371	6,618,624
Change in non-cash working capital (Page 7)	(2,024,451)	-	132,473	-	(1,891,978)	2,618,958
	(3,462,571)	-	5,876,936	279,028	2,693,393	9,237,582
Financing activity						
Interfund transfers	1,989,546	254,738	(2,054,333)	(189,951)	-	-
Net change in interfund balances	(171,195)	-	171,195	-	-	-
	1,818,351	254,738	(1,883,138)	(189,951)	-	-
Investing activities						
(Increase) decrease in loans receivable	(1,523,160)	-	-	-	(1,523,160)	199,072
(Increase) decrease in investments (net)	755,587	-	(6,307,436)	(89,077)	(5,640,926)	(4,509,222)
Purchase of capital assets	-	(254,738)	-	-	(254,738)	(84,074)
	(767,573)	(254,738)	(6,307,436)	(89,077)	(7,418,824)	(4,394,224)
Net change in cash and cash equivalents	(2,411,793)	-	(2,313,638)	-	(4,725,431)	4,843,358
Cash and cash equivalents, beginning of year	4,038,746	-	6,024,039	-	10,062,785	5,219,427
Cash and cash equivalents, end of year	<u>\$ 1,626,953</u>	<u>\$ -</u>	<u>\$ 3,710,401</u>	<u>\$ -</u>	<u>\$ 5,337,354</u>	<u>\$ 10,062,785</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Statement of Cash Flows (continued)

Year ended December 31

	Total Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2013	Restated (Note 3) Total 2012
Change in non-cash working capital						
Receivables	\$ (416,709)	\$ -	\$ 160,150	\$ -	\$ (256,559)	\$ 305,357
Prepays	(18,163)	-	-	-	(18,163)	-
Distributions payable	-	-	(87,714)	-	(87,714)	(581,555)
Payables and accruals	(1,589,579)	-	60,037	-	(1,529,542)	2,895,156
	<u>\$ (2,024,451)</u>	<u>\$ -</u>	<u>\$ 132,473</u>	<u>\$ -</u>	<u>\$ (1,891,978)</u>	<u>\$ 2,618,958</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

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.

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. A financial statement is 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.

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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

2. Summary of significant accounting policies (continued)

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 is reported in the Unrestricted Funds. Related 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 10a and 10b.

Endowment Funds

Endowment contributions 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 \$794,672 (2012 - \$804,483).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

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; 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.

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.

Investments

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

Financial Instruments

Receivables and loans receivable are classified as loans and receivables and are measured at amortized cost unless amortized cost is not determinable, at which case they are measured at face value.

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

Payables and other liabilities are classified as other financial liabilities and are measured at amortized cost.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

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 Note 8.

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

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, the 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 9.4 years (2012 – 11.2 years).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

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 revenues 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 and assumptions used in the calculation of employee future benefit obligations.

3. Restatement

During the year, it was determined that the Consolidated Trust Fund (the "Fund") is a sub-fund of the Diocese and not a separate entity. Previously the accounts of the Fund had been presented in separate financial statements.

The resulting impact was that the assets held by the Diocese in the Fund on behalf of parishes and the liability of the Diocese to the parishes were not included in the statement of Financial Position of the Diocese. Only the portion of the assets belonging to the Diocese had been recorded.

In order to correct this presentation, adjustments have been made to assets and liabilities to include the parishes' share of investments and the offsetting liability of the Diocese to the parishes. The financial statements for the year ended 2012 and 2011 have been amended as follows:

	December 31, 2012			December 31, 2011		
	Previously Reported	Effect of Changes	of Restated	Previously Reported	Effect of Changes	of Restated
Statement of Financial Position						
Assets	76,964,376	44,941,134	121,905,510	68,669,208	47,852,557	116,521,765
Liabilities	14,915,745	44,941,134	59,856,879	12,880,444	47,852,557	60,733,001

There are no changes required to the Statement of Revenue and Expenses or the Statement of Changes in Fund Balances as a result of the restatement.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

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 five years. The prime rate of interest is determined by reference to the Diocese's bank prime rate.

5. Investments in the Consolidated Trust Fund

The 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>2013</u>	<u>2012</u>
Assets		
Investments at fair value (Schedule 1)	\$115,290,648	\$ 99,754,427
Cash	2,571,009	3,052,898
Interest receivable	55,894	39,767
	<u>117,917,551</u>	<u>102,847,092</u>
Liabilities		
Dividends payable	3,263,501	3,099,689
Due to Diocese	648,124	111,192
Accrual	45,000	39,000
	<u>3,956,625</u>	<u>3,249,881</u>
Net assets	<u>113,960,926</u>	<u>99,597,211</u>
Elimination:		
Dividends payable to Diocese and Parishes	3,263,501	3,099,689
Due to Diocese	<u>648,124</u>	<u>111,192</u>
Adjusted net assets	<u>\$117,872,551</u>	<u>\$102,808,092</u>

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

	<u>2013</u>	<u>2012</u>
Diocese:		
Share of undistributed assets	\$ 61,005,691	\$ 54,677,552
Share of dividends payable	3,246,133	3,078,214
Due to Diocese	<u>648,124</u>	<u>111,192</u>
	<u>64,899,948</u>	<u>57,866,958</u>
Parishes (not available for Diocesan use):		
Share of undistributed assets	52,955,235	44,919,659
Share of dividends payable	<u>17,368</u>	<u>21,475</u>
	<u>52,972,603</u>	<u>44,941,134</u>
	<u>\$117,872,551</u>	<u>\$102,808,092</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

6. Investments - Other

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

	<u>2013</u>	<u>2012</u>
Short term investments	\$ 4,652,795	\$ -
Equities	<u>790,155</u>	<u>-</u>
	<u>\$ 5,442,950</u>	<u>\$ -</u>

7. Capital assets and properties

a) Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2013 Net Book Value</u>	<u>2012 Net Book Value</u>
Computer hardware	\$ 587,816	\$ 542,941	\$ 44,875	\$ 46,427
Computer software	290,342	271,093	19,249	9,257
Leasehold improvements	490,159	442,823	47,336	79,353
Diocesan centre renovations	1,746,065	873,032	873,033	1,047,639
Diocesan parking lot	<u>175,049</u>	<u>9,724</u>	<u>165,325</u>	<u>-</u>
	<u>\$ 3,289,431</u>	<u>\$ 2,139,613</u>	<u>\$ 1,149,818</u>	<u>\$ 1,182,676</u>

b) Properties

During the year, following Diocesan Council approval, several former parish properties were recorded as revenue in the Unrestricted Funds in the amount of \$3,290,038 (2012 - \$5,197,875). These unsold properties and unsold properties of prior years aggregate to \$3,862,000 (2012 - \$2,670,000), and are included in property of the Unrestricted Funds.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

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, 2013:

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 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 installments over the next two years.

- 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 \$1,197,564 (2012 - \$1,032,630) has been recorded as investment income of the Restricted Funds.

In addition, the Diocese owns undeveloped land on Bayly St., Ajax.

- 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 Troolie and Cameron Street, Cannington
- 10101, 10103 Keele Street, Maple
- 157 Florence Ave., Toronto
- 1311, 1315 Kipling Ave, Etobicoke
- 76 King Street East, Colborne

9. Bank indebtedness

At December 31, 2013, the Diocese had an unsecured operating line of credit of \$2,000,000 (2012 - \$2,000,000), which was not in use at year end. 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, 2013

10. Restricted Funds

a) FaithWorks

Faithworks activity during the year was as follows:

	<u>2013</u>	<u>2012</u>
Revenue		
Donations - Parishioners	\$ 652,040	\$ 657,810
- Corporate campaign	236,130	200,895
- Other	<u>528,380</u>	<u>359,926</u>
	1,416,550	1,218,631
Investment income	<u>55,016</u>	<u>63,557</u>
	<u>1,471,566</u>	<u>1,282,188</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	119,432	114,432
LOFT Community Services	67,460	56,720
The Dam	65,480	64,040
The Bridge	65,400	67,900
Anglican United Refugee Alliance	46,400	46,400
Downsview Youth Covenant	44,600	44,600
Samaritan House	41,600	41,600
David Busby Centre	34,410	34,410
North House	26,819	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	13,588	13,588
Street to Trail Association	5,000	10,000
Mission to Seafarers	4,660	-
Other designated	1,681	12,371
Episcopal areas	<u>76,298</u>	<u>-</u>
	<u>1,204,658</u>	<u>1,124,710</u>
Campaign costs		
Staffing	97,465	74,374
Printing - campaign material	77,551	48,240
Design	-	17,700
Travel	701	1,265
Shipping and postage	7,950	18,794
Other	<u>13,127</u>	<u>13,806</u>
	<u>196,794</u>	<u>174,179</u>
Total distributions and campaign costs	<u>1,401,452</u>	<u>1,298,889</u>
Surplus (deficiency) of revenue over distributions and campaign costs	<u>\$ 70,114</u>	<u>\$ (16,701)</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

10. Restricted Funds (continued)

b) Our Faith – Our Hope Capital Campaign

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

	<u>2013</u>	<u>2012</u>
Revenue		
Donations - to Diocese	\$ 544,187	\$ 1,265,513
- to Parishes	4,646,705	6,366,027
Less: Distributed to the Anglican Military Ordinariate of Canada	-	(500,000)
Rebate to parishes	<u>(1,895,313)</u>	<u>(2,467,754)</u>
	<u>3,295,579</u>	<u>4,663,786</u>
Fund disbursements		
Our Faith – Our Hope distributions:		
Leadership Development	123,098	-
Pioneering Ministry	8,000	-
Communicating in a Wireless World	35,000	-
Enabling Parishes to become Multi-staffed	<u>27,518</u>	<u>-</u>
	<u>193,616</u>	<u>-</u>
Campaign costs		
Staffing and consulting	52,365	161,257
Printing - campaign material	4,485	12,127
Post campaign expenses	6,540	121,150
Travel	15,591	-
Office	-	13,913
Service fees	65,235	35,310
Shipping and postage	8,834	22,461
Other	<u>5,141</u>	<u>30,147</u>
	<u>158,191</u>	<u>396,365</u>
Excess of revenue over distributions and campaign costs	<u>\$ 2,943,772</u>	<u>\$ 4,267,421</u>

The campaign costs incurred from the inception of the Our Faith – Our Hope Fund Capital campaign in 2010 of \$5,856,830 have generated donations and pledges of \$38,676,487 including: gross revenues recognized in fiscal 2013, 2012, 2011 and 2010 of \$5,190,892, \$7,631,540, \$7,964,192 and \$593,971 respectively and uncollected pledges as at December 31, 2013 of \$17,295,892 that have not been recorded in these financial statements. These pledges are due over three years to 2016.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

11. 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>2013</u>	<u>2012</u>
Expense for the year	<u>\$ 343,500</u>	<u>\$ 56,700</u>
Accrued benefit obligation	<u>\$ 8,659,700</u>	<u>\$ 8,813,300</u>
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status before segregated restricted funds - plan deficit	<u>\$ 8,659,700</u>	<u>8,813,300</u>
Restricted funds segregated for retirement benefits	<u>\$ 9,791,739</u>	<u>\$ 8,469,073</u>
Accrued benefit liability	<u>\$ 8,587,400</u>	<u>\$ 8,606,200</u>
Other information:		
Benefits paid during the year	<u>\$ 362,300</u>	<u>\$ 335,000</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 4.60% (2012 – 3.80%) was used to determine the accrued benefit obligation as of December 31, 2013. 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 \$399,039 (2012 - \$404,550).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2013

12. 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 \$826,078 (2012 - \$796,190) 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.

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 & leadership	Corporate governance & support	Church & society	Supporting ordained & lay leaders	Church growth & development	Contingency	2013	2012
Direct costs	\$ 1,608,171	\$ 289,762	\$ 800,000	\$ 374,635	\$ 812,710	\$ 976,888	\$ (1,287)	\$ 4,860,879	\$ 5,097,470
Salaries and benefits	-	<u>1,235,157</u>	<u>909,057</u>	<u>94,269</u>	<u>414,225</u>	<u>902,665</u>	-	<u>3,555,373</u>	<u>3,587,750</u>
Total	<u>\$ 1,608,171</u>	<u>\$ 1,524,919</u>	<u>\$ 1,709,057</u>	<u>\$ 468,904</u>	<u>\$ 1,226,935</u>	<u>\$ 1,879,553</u>	<u>\$ (1,287)</u>	<u>\$ 8,416,252</u>	<u>\$ 8,685,220</u>

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, 2013

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>2013</u>
<u>Ministry Grants</u>	
Area of Trent-Durham church plant – Ajax	\$ 105,409
All Saints, Sherbourne	55,300
Ascension, Port Perry	46,927
Cathedral Church of St. James	10,000
Christ Church, St. James	15,000
Epiphany and St. Mark	33,000
Grace Church in Scarborough	79,000
Jeremiah Community	39,080
Mandarin Project	76,818
St. Clement, Eglinton	24,803
St. George-the-Martyr, Parkdale	115,000
St. John, Peterborough	30,900
St. John, Ida	6,000
St. Margaret, New Toronto	13,500
St. Mark, Port Hope	300,000
St. Paul, Beaverton	27,479
St. Peter, Cobourg	63,000
St. Stephen-in-the-Fields	30,000
Trinity, Aurora	70,000
Other	17,325
<u>Real Estate Grants</u>	
Grace Church in Scarborough	1,457,750
All Saints, Sherbourne	19,660
St. Andrew, Alliston	91,000
<u>Other Grants</u>	
Reach Grants	<u>21,043</u>
	<u>\$ 2,747,994</u>

15. Contingent liabilities

In 2013, the Diocese reached a settlement with a complainant seeking compensation for damages related to alleged incidents of sexual abuse by a parish lay employee.

Management is currently not aware of any contingent liabilities.

The Incorporated Synod of the Diocese of Toronto

Schedule to the Financial Statements

December 31, 2013

Schedule 1 – Details of the Consolidated Trust Fund

Investments

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

	<u>2013</u>	%	<u>2012</u>	%
Short term deposits	\$ 5,253,413	5	\$ 5,125,071	5
Bonds				
Government of Canada	8,524,731	7	12,607,307	13
- Provinces of Canada	10,457,683	9	9,055,304	9
- Corporations	7,159,620	6	10,285,474	10
Stocks	74,035,052	64	60,165,236	60
Mutual Funds	6,988,708	6	2,516,035	3
Real Estate	<u>2,871,441</u>	3	-	-
	<u>\$ 115,290,648</u>	100	<u>\$ 99,754,427</u>	100

Changes in Net Assets

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

	<u>2013</u>	<u>2012</u>
Net assets, beginning of year	\$ 99,597,211	\$ 95,411,606
Add: Contributions	4,220,247	10,357,213
Capital appreciation	15,197,965	4,899,914
Interest and dividends	3,176,717	3,553,557
Less: Withdrawals	(3,372,762)	(10,028,724)
Distributions	(4,353,697)	(4,146,875)
Expenses	<u>(504,755)</u>	<u>(449,480)</u>
Net assets, end of year	<u>\$ 113,960,926</u>	<u>\$ 99,597,211</u>
Number of units outstanding, end of year	546,505	542,512
Number of units owned by the Diocese	292,556	297,833
Number of units owned by parishes	253,949	244,679
Net assets, end of year, per unit	208.53	183.58
Distribution per unit	8.02	7.77
Net earnings	17,869,927	8,003,991
Average number of units outstanding	544,509	542,107
Net gain per unit	32.82	14.77

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 \$8.02 (2012 - \$7.77) per unit, being 4.5% on a 3 year rolling average as at June 30, 2012, 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.