



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2015

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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, 2015, 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, 2015, 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, Canada
April 20, 2016

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

The Incorporated Synod of the Diocese of Toronto

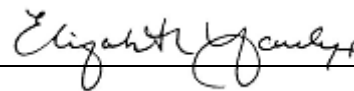
Statement of Financial Position

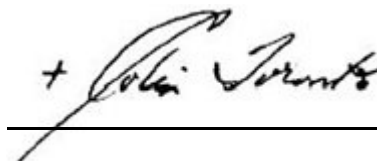
As at December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2015	Total 2014
Assets						
Current						
Cash	\$ 1,772,258	\$ -	\$ 3,457,426	\$ -	\$ 5,229,684	\$ 8,709,059
Receivables - parishes	1,014,428	-	-	-	1,014,428	1,013,341
- other	583,775	-	23,620	-	607,395	938,961
Prepays	23,520	-	-	-	23,520	25,894
	3,393,981	-	3,481,046	-	6,875,027	10,687,255
Loans receivable (Note 3)						
Parishes	4,822,836	-	-	-	4,822,836	4,239,279
Clergy	3,400	-	-	-	3,400	5,000
Investments in the Consolidated Trust Fund (Note 4)	89,074,241	-	16,716,781	25,584,540	131,375,562	126,133,299
Investments - Other (Note 5)	-	-	7,894,701	-	7,894,701	5,701,878
Capital assets and properties (Notes 6a and 6b)	600,000	986,852	-	-	1,586,852	2,184,109
Other property (Note 7)	-	-	-	-	-	-
	<u>\$ 97,894,458</u>	<u>\$ 986,852</u>	<u>\$ 28,092,528</u>	<u>\$ 25,584,540</u>	<u>\$ 152,558,378</u>	<u>\$ 148,950,820</u>
Liabilities						
Current						
Distributions payable	\$ -	\$ -	\$ 1,756,514	\$ -	\$ 1,756,514	\$ 1,812,307
Payables and accruals	1,780,981	-	-	-	1,780,981	1,979,487
	1,780,981	-	1,756,514	-	3,537,495	3,791,794
Deferred benefit liability (Note 9)	-	-	8,124,000	-	8,124,000	9,649,700
Parish Consolidated Trust Fund liabilities (Note 4)	60,937,554	-	-	-	60,937,554	56,763,651
	<u>62,718,535</u>	<u>-</u>	<u>9,880,514</u>	<u>-</u>	<u>72,599,049</u>	<u>70,205,145</u>
Fund balances						
Unrestricted	35,175,923	986,852	-	-	36,162,775	38,254,478
Internally restricted	-	-	16,226,895	62,059	16,288,954	13,795,245
Externally restricted	-	-	1,985,119	8,369,504	10,354,623	9,542,975
Endowment	-	-	-	17,152,977	17,152,977	17,152,977
	<u>35,175,923</u>	<u>986,852</u>	<u>18,212,014</u>	<u>25,584,540</u>	<u>79,959,329</u>	<u>78,745,675</u>
	<u>\$ 97,894,458</u>	<u>\$ 986,852</u>	<u>\$ 28,092,528</u>	<u>\$ 25,584,540</u>	<u>\$ 152,558,378</u>	<u>\$ 148,950,820</u>

Commitments (Note 17)

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 2015	Total 2014
Revenue						
Parishes	\$ 5,705,173	\$ -	\$ -	\$ -	\$ 5,705,173	\$ 5,288,195
Fees and donations	417,402	-	100,000	-	517,402	377,035
Donations - FaithWorks (Note 10a)	-	-	1,444,518	-	1,444,518	1,311,926
Donations - Our Faith - Our Hope Capital Campaign (Note 10b)	-	-	2,389,354	-	2,389,354	2,702,626
Investment income	1,418,733	-	1,881,928	991,183	4,291,844	4,063,162
Capital (depreciation) appreciation	(212,928)	-	(99,589)	(188,691)	(501,208)	3,063,204
Properties (loss) revenue (Note 6b)	(51,472)	-	-	-	(51,472)	1,862,059
Other income (Note 11)	901,395	-	192,986	-	1,094,381	721,462
	<u>8,178,303</u>	<u>-</u>	<u>5,909,197</u>	<u>802,492</u>	<u>14,889,992</u>	<u>19,389,669</u>
Expenses (Note 13)						
Church growth and development	1,796,857	-	-	-	1,796,857	1,764,566
Corporate governance and support services	1,649,220	-	-	-	1,649,220	1,326,162
Episcopal care and leadership	1,634,777	-	-	-	1,634,777	1,571,890
The Wider Church	1,603,050	-	-	-	1,603,050	1,623,698
Supporting ordained and lay leaders	1,464,944	-	-	-	1,464,944	1,283,818
Church and society	451,083	-	-	-	451,083	410,967
Campaign costs - FaithWorks (Note 10a)	-	-	196,605	-	196,605	184,932
Campaign costs - Our Faith - Our Hope Capital Campaign (Note 10b)	-	-	138,375	-	138,375	152,541
Fund distributions and disbursements - FaithWorks (Note 10a)	-	-	1,215,229	-	1,215,229	1,212,470
Fund distributions and disbursements - Our Faith - Our Hope (Note 10b)	-	-	1,411,581	-	1,411,581	1,989,810
Fund distributions and disbursements - Other	317,828	-	375,973	687,284	1,381,085	1,227,229
Parish support (Note 14)	2,162,886	-	-	-	2,162,886	1,133,450
Amortization of capital assets	-	327,546	-	-	327,546	317,281
	<u>11,080,645</u>	<u>327,546</u>	<u>3,337,763</u>	<u>687,284</u>	<u>15,433,238</u>	<u>14,198,814</u>
Excess (deficiency) of revenue over expenses	<u>\$ (2,902,342)</u>	<u>\$ (327,546)</u>	<u>\$ 2,571,434</u>	<u>\$ 115,208</u>	<u>\$ (543,246)</u>	<u>\$ 5,190,855</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	Other	Restricted Funds Deferred benefit remeasurement	Endowment Funds	Total 2015	Total 2014
Fund balances, beginning of year	\$ 37,140,369	\$ 1,114,109	\$ 15,355,565	\$ (681,600)	\$ 25,817,232	\$ 78,745,675	\$ 74,319,920
Excess (deficiency) of revenue over expenses	(2,902,342)	(327,546)	2,571,434	-	115,208	(543,246)	5,190,855
Retirement benefits remeasurements and other items (Note 15)	-	-	-	1,756,900	-	1,756,900	(765,100)
Interfund transfers (Note 16)	937,896	200,289	(790,285)	-	(347,900)	-	-
Fund balances, end of year	<u>\$ 35,175,923</u>	<u>\$ 986,852</u>	<u>\$ 17,136,714</u>	<u>\$ 1,075,300</u>	<u>\$ 25,584,540</u>	<u>\$ 79,959,329</u>	<u>\$ 78,745,675</u>
Fund balances, end of year							
Unrestricted	\$ 35,175,923	\$ 986,852	\$ -	\$ -	\$ -	\$ 36,162,775	\$ 38,254,478
Internally restricted	-	-	16,226,895	-	62,059	16,288,954	13,795,245
Externally restricted	-	-	909,819	1,075,300	8,369,504	10,354,623	9,542,975
Endowment	-	-	-	-	17,152,977	17,152,977	17,152,977
	<u>\$ 35,175,923</u>	<u>\$ 986,852</u>	<u>\$ 17,136,714</u>	<u>\$ 1,075,300</u>	<u>\$ 25,584,540</u>	<u>\$ 79,959,329</u>	<u>\$ 78,745,675</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 2015	Total 2014
Increase (decrease) in cash						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ (2,902,342)	\$ (327,546)	\$ 2,571,434	\$ 115,208	\$ (543,246)	\$ 5,190,855
Add (deduct):						
Capital (appreciation) depreciation	212,928	-	99,589	188,691	501,208	(3,063,204)
Properties held for sale	(600,000)	-	-	-	(600,000)	(1,408,000)
Non-cash portion of deferred benefit liability	-	-	559,700	-	559,700	549,100
Amortization of capital assets	-	327,546	-	-	327,546	317,281
	(3,289,414)	-	3,230,723	303,899	245,208	1,586,032
Change in non-cash working capital (Page 7)	72,458	-	6,096	-	78,554	(474,483)
	(3,216,956)	-	3,236,819	303,899	323,762	1,111,549
Financing activity						
Interfund transfers	937,896	200,289	(790,285)	(347,900)	-	-
Investing activities						
(Increase) decrease in loans receivable (net)	(581,957)	-	-	-	(581,957)	331,352
(Increase) decrease in investments (net)	(1,185,370)	-	(2,621,022)	44,001	(3,762,391)	(1,665,424)
Former parishes properties sold, recognized as income in prior year	1,070,000	-	-	-	1,070,000	4,200,000
Purchase of capital assets	-	(200,289)	-	-	(200,289)	(281,572)
Pension contributions	-	-	(328,500)	-	(328,500)	(324,200)
	(697,327)	(200,289)	(2,949,522)	44,001	(3,803,137)	2,260,156
Net change in cash	(2,976,387)	-	(502,988)	-	(3,479,375)	3,371,705
Cash, beginning of year	4,748,645	-	3,960,414	-	8,709,059	5,337,354
Cash, end of year	\$ 1,772,258	\$ -	\$ 3,457,426	\$ -	\$ 5,229,684	\$ 8,709,059
Additional cash flow information						
Remeasurements and other items	\$ -	\$ -	\$ 1,756,900	\$ -	\$ 1,756,900	\$ (765,100)

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 2015	Total 2014
Change in non-cash working capital						
Receivables	\$ 268,590	\$ -	\$ 61,889	\$ -	\$ 330,479	\$ 433,743
Prepays	2,374	-	-	-	2,374	(7,731)
Distributions payable	-	-	(55,793)	-	(55,793)	28,764
Payables and accruals	(198,506)	-	-	-	(198,506)	(929,259)
	<u>\$ 72,458</u>	<u>\$ -</u>	<u>\$ 6,096</u>	<u>\$ -</u>	<u>\$ 78,554</u>	<u>\$ (474,483)</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

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 Incorporated Synod of the Diocese of Toronto (The Cemetery Fund), 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, 2015

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. Income earned on Restricted Funds and Endowment Funds 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 and related investment income and expenditures are reported as 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 at fair value and 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.

Deferred benefit remeasurement 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 \$785,574 (2014 - \$829,574).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

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. Donor-restricted donations for endowment purposes are presented as revenue in the Endowment Funds. Other donor-restricted donations are recognized as revenue in the Restricted Funds. Unrestricted donations are recognized as revenue of the Unrestricted Funds.

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 receivable, 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, 2015

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 7a and 7b.

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 Diocese 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 revenue and expenses 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, 2015

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. 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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

4. 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>2015</u>	<u>2014</u>
Assets		
Cash	\$ 3,245,175	\$ 2,572,170
Interest receivable	46,870	53,279
Investments at fair value (Schedule 1)	<u>128,083,517</u>	<u>123,561,434</u>
	<u>131,375,562</u>	<u>126,186,883</u>
Liabilities		
Dividends payable	3,371,014	3,340,002
Due to the Diocese	234,646	122,569
Accrued liabilities	<u>-</u>	<u>53,584</u>
	<u>3,605,660</u>	<u>3,516,155</u>
Net assets	<u>127,769,902</u>	<u>122,670,728</u>
Elimination:		
Dividends payable to Diocese and Parishes	3,371,014	3,340,002
Due to Diocese	<u>234,646</u>	<u>122,569</u>
Adjusted net assets	<u>\$131,375,562</u>	<u>\$126,133,299</u>

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

	<u>2015</u>	<u>2014</u>
Diocese:		
Share of undistributed assets	\$ 66,870,333	\$ 65,930,496
Share of dividends payable	3,333,029	3,316,583
Due to Diocese	<u>234,646</u>	<u>122,569</u>
	<u>70,438,008</u>	<u>69,369,648</u>
Parishes (not available for Diocesan use):		
Share of undistributed assets	60,899,569	56,740,232
Share of dividends payable	<u>37,985</u>	<u>23,419</u>
	<u>60,937,554</u>	<u>56,763,651</u>
	<u>\$131,375,562</u>	<u>\$126,133,299</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

5. Investments - Other

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

	<u>2015</u>	<u>2014</u>
Short-term investments	\$ 917,586	\$ 312,085
Bonds	2,016,322	1,881,645
Equities	<u>4,960,793</u>	<u>3,508,148</u>
	<u>\$ 7,894,701</u>	<u>\$ 5,701,878</u>

6. Capital assets and properties

a) Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2015 Net Book Value</u>	<u>2014 Net Book Value</u>
Computer hardware	\$ 635,350	\$ 612,075	\$ 23,275	\$ 25,947
Computer software	345,852	341,666	4,186	23,569
Leasehold improvements	896,343	606,646	289,697	210,568
Diocesan centre renovations	1,746,065	1,222,245	523,820	698,426
Diocesan parking lot	<u>175,049</u>	<u>29,175</u>	<u>145,874</u>	<u>155,599</u>
	<u>\$ 3,798,659</u>	<u>\$ 2,811,807</u>	<u>\$ 986,852</u>	<u>\$ 1,114,109</u>

b) Properties

During the year, two Diocesan properties were sold, resulting in unrestricted losses due to properties of \$51,472 (2014 – revenue of \$1,862,059). Unsold properties aggregate to \$600,000 (2014 - \$1,070,000) and are included as property of the Unrestricted Funds.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

7. 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, 2015:

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 an annual base rent of \$30,000 for 2008 and thereafter, subject to an annual increase for inflation.
- 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 \$1,181,510 (2014 - \$1,145,968) 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 Troolie and Cameron Street, Cannington
 - 10101, 10103 Keele Street, Maple
 - 1311, 1315 Kipling Ave, Etobicoke
 - 76 King Street East, Colborne
 - 2516 11th Line, Bradford
 - 18, 20 Gray St., Coldwater

8. Bank indebtedness

At December 31, 2015, the Diocese had an unsecured operating line of credit of \$2,000,000 (2014 - \$2,000,000), however, it has not been drawn upon (2014 - \$Nil). 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, 2015

9. 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>2015</u>	<u>2014</u>
Expense for the year	<u>\$ 231,200</u>	<u>\$ 224,900</u>
Accrued benefit obligation	<u>\$ 8,124,000</u>	<u>\$ 9,649,700</u>
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status before segregated restricted funds - plan deficit and deferred benefit liability	<u>\$ 8,124,000</u>	<u>\$ 9,649,700</u>
Restricted funds segregated for retirement benefits	<u>\$ 10,800,727</u>	<u>\$ 10,529,552</u>
Other information:		
Benefits paid during the year	<u>\$ 328,500</u>	<u>\$ 324,200</u>

Significant actuarial assumptions are as follows:

Health care cost trend rates		
Health	8.0%	7.5%
Dental	4.5%	4.5%

A discount rate of 3.90% (2014 – 3.90%) was used to determine the deferred benefit liability as of December 31, 2015. The discount rate was determined in accordance with Section 3463 of the CICA Handbook.

A full valuation of the post-retirement benefits was performed as of December 31, 2015.

Employee pension plan

The Diocese's share of contributions made to the pension plan amounted to \$441,070 (2014 - \$424,816).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

10. Restricted Funds

a) FaithWorks

FaithWorks activity during the year was as follows:

	<u>2015</u>	<u>2014</u>
Revenue		
Donations - Parishioners	\$ 894,787	\$ 722,136
- Other	328,706	357,988
- Corporate campaign	<u>221,025</u>	<u>231,802</u>
	<u>1,444,518</u>	<u>1,311,926</u>
Investment income	<u>79,272</u>	<u>85,694</u>
	<u>1,523,790</u>	<u>1,397,620</u>
FaithWorks distributions:		
All Saints Church Community Centre	298,000	298,000
Flemingdon Park Ministries	195,000	220,140
Primates World Relief and Development Fund	132,848	124,432
The Dam	64,040	64,040
The Bridge	62,900	62,900
LOFT Community Services	55,521	57,869
Anglican United Refugee Alliance	46,400	46,400
Downsview Youth Covenant	44,600	44,600
Voice of the Martyrs	43,477	43,477
Samaritan House	41,600	41,600
Episcopal areas	40,888	39,428
Anglican Appeal	35,183	17,183
David Busby Centre	34,410	34,410
Couchiching Jubilee House	26,190	26,190
North House	25,483	25,740
TUNM (Toronto Urban Native Ministry)	25,000	25,000
Philip Aziz Centre	22,500	22,500
St. John, Peterborough Community Outreach	15,000	15,000
St. John, Lakefield After-School Program	5,000	5,000
Mission to Seafarers	1,189	1,689
Street to Trail Association	-	200
Other designated	<u>-</u>	<u>(3,328)</u>
	<u>1,215,229</u>	<u>1,212,470</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

10. Restricted Funds (continued)

a) FaithWorks (continued)

	<u>2015</u>	<u>2014</u>
Campaign costs		
Staffing	100,112	97,465
Printing – campaign material	76,275	70,765
Website and marketing	7,223	6,812
Other	6,764	2,386
Travel and meetings	5,030	1,863
Shipping and postage	1,201	5,641
	<u>196,605</u>	<u>184,932</u>
Total distributions and campaign costs	<u>1,411,834</u>	<u>1,397,402</u>
Excess of revenue over distributions and campaign costs	<u>\$ 111,956</u>	<u>\$ 218</u>

b) Our Faith - Our Hope Capital Campaign

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

	<u>2015</u>	<u>2014</u>
Revenue		
Donations - to Parishes	\$ 3,412,475	\$ 4,783,231
- to Diocese	531,504	64,688
Less: Rebate to parishes	<u>(1,554,625)</u>	<u>(2,145,293)</u>
	<u>2,389,354</u>	<u>2,702,626</u>
Investment income	<u>35,989</u>	<u>20,466</u>
	<u>2,425,343</u>	<u>2,723,092</u>
Our Faith - Our Hope distributions:		
Adaptive Reuse of Parish Facilities	627,640	1,012,411
Communicating in a Wireless World	310,177	257,922
Pioneering Ministry	283,500	395,570
Leadership Development	112,974	32,915
Enabling Parishes to become Multi-staffed	77,290	290,992
	<u>1,411,581</u>	<u>1,989,810</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

10. Restricted Funds (continued)

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

	<u>2015</u>	<u>2014</u>
Campaign costs		
Staffing and consulting	55,442	52,355
Service fees	45,170	58,622
Printing - campaign material	20,065	13,578
Shipping and postage	12,580	8,729
Other	2,659	3,111
Office	2,310	7,523
Travel and meetings	<u>149</u>	<u>8,623</u>
	<u>138,375</u>	<u>152,541</u>
Total distributions and campaign costs	<u>1,549,956</u>	<u>2,142,351</u>
Excess of revenue over distributions and campaign costs	<u>\$ 875,387</u>	<u>\$ 580,741</u>

The campaign costs incurred from the inception of the Our Faith - Our Hope Fund Capital campaign in 2010 of \$6,147,746 have generated donations and pledges of \$37,308,267 including: gross revenue recognized in fiscal 2015, 2014, 2013, 2012, 2011 and 2010 of \$3,943,979, \$4,847,919, \$5,190,892, \$7,631,540, \$7,964,192 and \$593,971, respectively and uncollected pledges as at December 31, 2015 of \$7,135,774 that have not been recorded in these financial statements. These pledges are due over the next two years.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

11. Other income

Other income includes a return of funds held by the Anglican Church of Canada of \$545,783 (2014 - \$Nil).

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 \$653,072 (2014 - \$661,921) 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

	Church growth and development	Corporate governance and support services	Episcopal care and leadership	The Wider Church	Supporting ordained and lay leaders	Church and society	Total 2015	Total 2014
Direct costs	\$ 818,197	\$ 699,422	\$ 302,451	\$ 1,603,050	\$ 983,328	\$ 364,908	\$ 4,771,356	\$ 4,393,034
Salaries and benefits	<u>978,660</u>	<u>949,798</u>	<u>1,332,326</u>	<u>-</u>	<u>481,616</u>	<u>86,175</u>	<u>3,828,575</u>	<u>3,588,067</u>
	<u>\$ 1,796,857</u>	<u>\$ 1,649,220</u>	<u>\$ 1,634,777</u>	<u>\$ 1,603,050</u>	<u>\$ 1,464,944</u>	<u>\$ 451,083</u>	<u>\$ 8,599,931</u>	<u>\$ 7,981,101</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, 2015

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>2015</u>	<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	41,552	8,413
Christ Church, St. James	10,000	13,000
Church of the Transfiguration	26,200	-
Epiphany and St. Mark	-	2,700
Grace Church in Scarborough	58,000	40,000
Jeremiah Community	7,994	67,720
Mandarin Project	986	60,750
St. Aidan, Toronto	71,000	16,000
St. Andrew, Alliston	64,700	79,850
St. Clement, Eglinton	-	74,410
St. David, Orillia	-	5,550
St. George-the-Martyr, Parkdale	93,333	105,000
St. Hugh and St. Edmund	6,050	-
St. John, Ida	4,000	5,000
St. John, Peterborough	27,000	14,250
St. John the Evangelist, Peterborough	14,100	-
St. John, West Toronto	5,000	-
St. Margaret, New Toronto	70,400	124,000
St. Martin, Bay Ridges	1,562	-
St. Mary Magdalene	96,750	73,083
St. Paul, Beaverton	12,560	-
St. Peter, Cobourg	44,000	25,000
St. Philip-on-the-Hill	100,300	-
St. Stephen-in-the-Fields	40,000	30,000
Trinity, Aurora	-	55,000
Other	-	3,385
<u>Real Estate Grants</u>		
St. Elizabeth, Mississauga	1,300,000	-
St. Columba	-	141,703
<u>Other Grants</u>		
Stretch Grants	25,430	-
Reach Grants	41,969	47,140
	<u>\$ 2,162,886</u>	<u>\$ 1,133,450</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2015

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. Interfund transfers

During the year, there were transfers made between the funds of the Diocese as follows:

- \$790,285 from the Restricted Fund to the Unrestricted Fund primarily to support expenditures in operations;
 - \$347,900 from the Endowment Fund to the Unrestricted Fund primarily relating to endowments where income is to be used to support expenditures in operations; and
 - \$200,289 from the Unrestricted Fund to the Capital Assets Fund primarily relating to cash outlays for capital asset acquisitions.
-

17. 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:

2016	\$	217,712
2017		132,887
2018		76,515
2019		49,255
2020		35,422

18. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2015 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>2015</u>	%	<u>2014</u>	%
Short-term deposits	\$ 3,765,277	3	\$ 6,154,901	5
Bonds	40,588,263	32	39,254,305	32
Stocks	81,190,899	63	76,296,500	62
Infrastructure	<u>2,539,078</u>	2	<u>1,855,728</u>	1
	<u>\$ 128,083,517</u>	100	<u>\$ 123,561,434</u>	100

Changes in Net Assets

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

	<u>2015</u>	<u>2014</u>
Net assets, beginning of year	\$ 122,670,728	\$ 113,960,926
Add: Contributions	7,978,166	6,227,765
Capital appreciation	379,395	6,755,841
Interest and dividends	4,145,304	3,517,630
Less: Withdrawals	(1,898,136)	(2,737,458)
Distributions	(4,941,305)	(4,532,008)
Expenses	<u>(564,250)</u>	<u>(521,968)</u>
Net assets, end of year	<u>\$ 127,769,902</u>	<u>\$ 122,670,728</u>
Number of units outstanding, end of year	590,382	562,540
Number of units owned by the Diocese	308,985	302,342
Number of units owned by parishes	281,397	260,198
Net assets, end of year, per unit	\$ 216.42	\$ 218.07
Distribution per unit	\$ 8.65	\$ 8.23
Net earnings	\$ 3,960,449	\$ 9,751,503
Average number of units outstanding	576,461	554,478
Net gain per unit	\$ 6.87	\$ 17.59

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 \$8.65 (2014 - \$8.23) per unit, representing a 4.5% return on investments on June 30, 2014 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.