



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2016

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Financial Position	3
Statement of Revenue and Expenses	4
Statement of Changes in Fund Balances	5
Statement of Cash Flows	6 - 7
Notes to the Financial Statements	8 - 22
Schedule 1 - Details of the Consolidated Trust Fund	23

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, 2016, 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, 2016, 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.

Other matter

Our audit was conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in schedule 1 is presented for purposes of additional information and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion, in the audit of the financial statements taken as a whole.



Toronto, Canada
May 27, 2017

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 2016	Total 2015
Assets						
Current						
Cash	\$ 2,515,918	\$ -	\$ 2,261,814	\$ -	\$ 4,777,732	\$ 5,229,684
Receivables - parishes	743,707	-	-	-	743,707	1,014,428
- other	351,677	-	161,692	-	513,369	607,395
Prepays	23,282	-	-	-	23,282	23,520
	3,634,584		2,423,506	-	6,058,090	6,875,027
Loans receivable (Note 3)						
Parishes	5,875,815	-	-	-	5,875,815	4,822,836
Clergy	1,000	-	-	-	1,000	3,400
Investments in the Consolidated Trust Fund (Note 4)	99,951,660	-	16,995,929	26,456,930	143,404,519	131,375,562
Investments - Other (Note 5)	-	-	8,948,419	-	8,948,419	7,894,701
Capital assets and properties (Notes 6a and 6b)	900,000	771,812	-	-	1,671,812	1,586,852
Other property (Note 7)	-	-	-	-	-	-
	<u>\$ 110,363,059</u>	<u>\$ 771,812</u>	<u>\$ 28,367,854</u>	<u>\$ 26,456,930</u>	<u>\$ 165,959,655</u>	<u>\$ 152,558,378</u>
Liabilities						
Current						
Distributions payable	\$ -	\$ -	\$ 1,463,003	\$ -	\$ 1,463,003	\$ 1,756,514
Payables and accruals	3,820,009	-	-	-	3,820,009	1,780,981
	3,820,009	-	1,463,003	-	5,283,012	3,537,495
Deferred benefit liability (Note 9)	-	-	8,324,900	-	8,324,900	8,124,000
Parish Consolidated Trust Fund liabilities (Note 4)	69,452,457	-	-	-	69,452,457	60,937,554
	<u>73,272,466</u>	<u>-</u>	<u>9,787,903</u>	<u>-</u>	<u>83,060,369</u>	<u>72,599,049</u>
Fund balances						
Unrestricted	37,090,593	771,812	-	-	37,862,405	36,162,775
Internally restricted	-	-	17,831,247	65,669	17,896,916	16,288,954
Externally restricted	-	-	748,704	9,238,284	9,986,988	10,354,623
Endowment	-	-	-	17,152,977	17,152,977	17,152,977
	<u>37,090,593</u>	<u>771,812</u>	<u>18,579,951</u>	<u>26,456,930</u>	<u>82,899,286</u>	<u>79,959,329</u>
	<u>\$ 110,363,059</u>	<u>\$ 771,812</u>	<u>\$ 28,367,854</u>	<u>\$ 26,456,930</u>	<u>\$ 165,959,655</u>	<u>\$ 152,558,378</u>

Commitments (Note 18)

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 2016	Total 2015
Revenue						
Parishes	\$ 5,761,582	\$ -	\$ -	\$ -	\$ 5,761,582	\$ 5,705,173
Fees and donations	810,915	-	10,000	-	820,915	517,402
Donations - FaithWorks (Note 11a)	-	-	1,338,288	-	1,338,288	1,444,518
Donations - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	926,698	-	926,698	2,389,354
Investment income	1,129,811	-	1,868,872	1,000,785	3,999,468	4,291,844
Capital appreciation (depreciation)	1,551,025	-	2,044,857	1,361,147	4,957,029	(501,208)
Properties revenue (loss) (Note 6b)	3,493,346	-	-	-	3,493,346	(51,472)
Other income (Note 12)	392,268	-	168,415	-	560,683	1,094,381
	<u>13,138,947</u>	<u>-</u>	<u>6,357,130</u>	<u>2,361,932</u>	<u>21,858,009</u>	<u>14,889,992</u>
Expenses (Note 14)						
Church growth and development	1,991,613	-	-	-	1,991,613	1,796,857
Corporate governance and support services	1,572,000	-	-	-	1,572,000	1,649,220
Episcopal care and leadership	1,515,280	-	-	-	1,515,280	1,634,777
The Wider Church	1,669,415	-	-	-	1,669,415	1,603,050
Supporting ordained and lay leaders	1,759,197	-	-	-	1,759,197	1,464,944
Church and society	452,551	-	-	-	452,551	451,083
Campaign costs - FaithWorks (Note 11a)	-	-	211,355	-	211,355	196,605
Campaign costs - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	115,345	-	115,345	138,375
Fund distributions and disbursements - FaithWorks (Note 11a)	-	-	1,343,011	-	1,343,011	1,215,229
Fund distributions and disbursements - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	2,235,038	-	2,235,038	1,411,581
Fund distributions and disbursements - Other	679,668	-	1,016,569	1,228,099	2,924,336	1,381,085
Parish support (Note 15)	2,726,960	-	-	-	2,726,960	2,162,886
Amortization of capital assets	-	312,051	-	-	312,051	327,546
	<u>12,366,684</u>	<u>312,051</u>	<u>4,921,318</u>	<u>1,228,099</u>	<u>18,828,152</u>	<u>15,433,238</u>
Excess (deficiency) of revenue over expenses	<u>\$ 772,263</u>	<u>\$ (312,051)</u>	<u>\$ 1,435,812</u>	<u>\$ 1,133,833</u>	<u>\$ 3,029,857</u>	<u>\$ (543,246)</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 2016	Total 2015
			Internally Restricted Fund	Externally Restricted Fund			
Fund balances, beginning of year (Note 19)	\$ 35,175,923	\$ 986,852	\$ 17,302,195	\$ 909,819	\$ 25,584,540	\$ 79,959,329	\$ 78,745,675
Excess (deficiency) of revenue over expenses	772,263	(312,051)	1,596,927	(161,115)	1,133,833	3,029,857	(543,246)
Retirement benefits remeasurements and other items (Note 16)	-	-	(89,900)	-	-	(89,900)	1,756,900
Interfund transfers (Note 17)	1,142,407	97,011	(977,975)	-	(261,443)	-	-
Fund balances, end of year	<u>\$ 37,090,593</u>	<u>\$ 771,812</u>	<u>\$ 17,831,247</u>	<u>\$ 748,704</u>	<u>\$ 26,456,930</u>	<u>\$ 82,899,286</u>	<u>\$ 79,959,329</u>

Fund balances, end of year

Unrestricted	\$ 37,090,593	\$ 771,812	\$ -	\$ -	\$ -	\$ 37,862,405	\$ 36,162,775
Internally restricted	-	-	17,831,247	-	65,669	17,896,916	16,288,954
Externally restricted	-	-	-	748,704	9,238,284	9,986,988	10,354,623
Endowment	-	-	-	-	17,152,977	17,152,977	17,152,977
	<u>\$ 37,090,593</u>	<u>\$ 771,812</u>	<u>\$ 17,831,247</u>	<u>\$ 748,704</u>	<u>\$ 26,456,930</u>	<u>\$ 82,899,286</u>	<u>\$ 79,959,329</u>

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 2016	Total 2015
Increase (decrease) in cash						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ 772,263	\$ (312,051)	\$ 1,435,812	\$ 1,133,833	\$ 3,029,857	\$ (543,246)
Add (deduct):						
Capital (appreciation) depreciation	(1,551,025)	-	(2,044,857)	(1,361,147)	(4,957,029)	501,208
Properties held for sale recognized (sold) during the year (Note 6b)	(300,000)	-	-	-	(300,000)	470,000
Non-cash portion of deferred benefit liability	-	-	459,700	-	459,700	559,700
Amortization of capital assets	-	312,051	-	-	312,051	327,546
	(1,078,762)	-	(149,345)	(227,314)	(1,455,421)	1,315,208
Change in non-cash working capital (Page 7)	2,542,085	-	(431,583)	-	2,110,502	78,554
	1,463,323	-	(580,928)	(227,314)	655,081	1,393,762
Financing activity						
Interfund transfers	1,142,407	97,011	(977,975)	(261,443)	-	-
Investing activities						
(Increase) in loans receivable (net)	(1,050,579)	-	-	-	(1,050,579)	(581,957)
(Increase) decrease in investments (net)	(811,491)	-	711,991	488,757	389,257	(3,762,391)
Purchase of capital assets	-	(97,011)	-	-	(97,011)	(200,289)
Pension contributions (Note 9)	-	-	(348,700)	-	(348,700)	(328,500)
	(1,862,070)	(97,011)	363,291	488,757	(1,107,033)	(4,873,137)
Net change in cash	743,660	-	(1,195,612)	-	(451,952)	(3,479,375)
Cash, beginning of year	1,772,258	-	3,457,426	-	5,229,684	8,709,059
Cash, end of year	\$ 2,515,918	\$ -	\$ 2,261,814	\$ -	\$ 4,777,732	\$ 5,229,684
Additional cash flow information						
Remeasurements and other items	\$ -	\$ -	\$ 89,900	\$ -	\$ 89,900	\$ (1,756,900)

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 2016	Total 2015
Change in non-cash working capital						
Receivables	\$ 502,819	\$ -	\$ (138,072)	\$ -	\$ 364,747	\$ 330,479
Prepays	238	-	-	-	238	2,374
Distributions payable	-	-	(293,511)	-	(293,511)	(55,793)
Payables and accruals	<u>2,039,028</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,039,028</u>	<u>(198,506)</u>
	<u>\$ 2,542,085</u>	<u>\$ -</u>	<u>\$ (431,583)</u>	<u>\$ -</u>	<u>\$ 2,110,502</u>	<u>\$ 78,554</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

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 build healthy, missional Anglican communities that engage faithfully with the world and share the gospel of Jesus Christ.

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, revenue 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, 2016

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 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 and internally restricted by the Diocesan Council are reported as Restricted Funds. Related investment income is reported in the Restricted Funds.

Restricted Funds include FaithWorks and Our Faith - Our Hope Capital Campaign donations. Revenue and expenses incurred in raising revenue and distributions to participants for both campaigns are disclosed in Notes 11a and 11b.

Restricted funds also include 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 internally 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 revenue of the Endowment Funds. Related investment income is reported in the Endowment Funds.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

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.

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).

In the event that the fair value is deemed to have declined then an allowance is recorded to reduce that value. Aside from a sale, properties would only be removed from the financial statements when Diocesan Council approves the property be allocated for parish work or outreach and not be sold.

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 cash and investments in equities, which are measured at fair value.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

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, 2016

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, 2016

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>2016</u>	<u>2015</u>
Assets		
Cash	\$ 1,856,713	\$ 3,245,175
Interest receivable	200,130	46,870
Due from the Diocese	273,785	
Investments at fair value (Schedule 1)	<u>141,419,794</u>	<u>128,083,517</u>
	<u>143,750,422</u>	<u>131,375,562</u>
Liabilities		
Dividends payable	3,445,436	3,371,014
Due to the Diocese	-	234,646
Accrued liabilities	<u>72,118</u>	<u>-</u>
	<u>3,517,554</u>	<u>3,605,660</u>
Net assets	140,232,868	127,769,902
Elimination:		
Dividends payable to Diocese and Parishes	3,445,436	3,371,014
Due to (from) the Diocese	<u>(273,785)</u>	<u>234,646</u>
Adjusted net assets	\$ 143,404,519	\$ 131,375,562

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

	<u>2016</u>	<u>2015</u>
Diocese:		
Share of undistributed assets	\$ 70,900,407	\$ 66,870,333
Share of dividends payable	3,325,440	3,333,029
Due to (from) the Diocese	<u>(273,785)</u>	<u>234,646</u>
	<u>73,952,062</u>	<u>70,438,008</u>
Parishes (not available for Diocesan use):		
Share of undistributed assets	69,332,461	60,899,569
Share of dividends payable	<u>119,996</u>	<u>37,985</u>
	<u>69,452,457</u>	<u>60,937,554</u>
	\$ 143,404,519	\$ 131,375,562

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

5. Investments - Other

Investments are held as follows:

	<u>2016</u>	<u>2015</u>
Short-term investments	\$ 508,214	\$ 917,586
Bonds	1,996,205	2,016,322
Equities	<u>6,444,000</u>	<u>4,960,793</u>
	<u>\$ 8,948,419</u>	<u>\$ 7,894,701</u>

6. Capital assets and properties

a) Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2016 Net Book Value</u>	<u>2015 Net Book Value</u>
Computer hardware	\$ 629,165	\$ 598,493	\$ 30,672	\$ 23,275
Computer software	391,703	382,460	9,243	4,186
Leasehold improvements	953,687	707,153	246,534	289,697
Diocesan centre renovations	1,746,065	1,396,851	349,214	523,820
Diocesan parking lot	<u>175,049</u>	<u>38,900</u>	<u>136,149</u>	<u>145,874</u>
	<u>\$ 3,895,669</u>	<u>\$ 3,123,857</u>	<u>\$ 771,812</u>	<u>\$ 986,852</u>

b) Properties

During the year, following Diocesan Council approval, a former parish property was held for sale and recorded as revenue in the Unrestricted Funds resulting in properties revenue of \$300,000 (2015 – \$Nil). In addition, four properties in the Diocese were sold and contributions of the proceeds were made to the Diocese, net of costs incurred related to properties of which proceeds were received in previous years. These transactions resulted in properties revenue of \$3,193,346 (2015 – loss of \$51,472).

Unsold properties aggregate to \$900,000 (2015 - \$600,000) and are included as property of the Unrestricted Funds.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

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, 2016:

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 \$1,166,443 (2015 - \$1,181,510) 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
 - 188, 190 Carlton St., Toronto
 - 3223 Upper Big Chute Rd., Coldwater

8. Bank indebtedness

At December 31, 2016, the Diocese had an unsecured operating line of credit of \$2,000,000 (2015 - \$2,000,000), however, it has not been drawn upon (2015 - \$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, 2016

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>2016</u>	<u>2015</u>
Expense for the year	<u>\$ 111,000</u>	<u>\$ 231,200</u>
Accrued benefit obligation	<u>\$ 8,324,900</u>	<u>\$ 8,124,000</u>
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status before segregated restricted funds - plan deficit and deferred benefit liability	<u>\$ 8,324,900</u>	<u>\$ 8,124,000</u>
Restricted funds segregated for retirement benefits	<u>\$ 11,618,832</u>	<u>\$ 10,800,727</u>
Other information:		
Benefits paid during the year	<u>\$ 348,700</u>	<u>\$ 328,500</u>

Significant actuarial assumptions are as follows:

Health care cost trend rates		
Health	7.8%	8.0%
Dental	4.5%	4.5%

A discount rate of 3.80% (2015 – 3.90%) was used to determine the deferred benefit liability as of December 31, 2016.

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 \$391,879 (2015 - \$441,070).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

10. Internally restricted funds

Internally restricted funds consist of the following:

Restricted Funds	<u>2016</u>	<u>2015</u>
Funds for retirement benefits	\$ 11,618,832	\$ 10,800,727
Funds of retirement allowances	3,976,352	3,939,400
Funds for other strategic purposes	<u>2,236,063</u>	<u>1,486,768</u>
	17,831,247	16,226,895
 Endowment Funds		
Funds for other strategic purposes	<u>65,669</u>	<u>62,059</u>
	<u>\$ 17,896,916</u>	<u>\$ 16,228,954</u>

11. Restricted Funds

a) FaithWorks

FaithWorks activity during the year was as follows:

	<u>2016</u>	<u>2015</u>
Revenue		
Donations - Parishioners	\$ 737,902	\$ 894,787
- Other	369,656	328,706
- Corporate campaign	<u>230,730</u>	<u>221,025</u>
	1,338,288	1,444,518
 Investment income	<u>76,578</u>	<u>79,272</u>
	<u>1,414,866</u>	<u>1,523,790</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

11. Restricted Funds (continued)

a) FaithWorks (continued)

	<u>2016</u>	<u>2015</u>
FaithWorks distributions:		
All Saints Church Community Centre	312,000	298,000
Flemingdon Park Ministries	220,035	195,000
Primates World Relief and Development Fund	114,432	132,848
Anglican United Refugee Alliance	103,058	46,400
LOFT Community Services	79,142	55,521
The Dam	64,040	64,040
The Bridge	62,900	62,900
David Busby Centre	54,694	34,410
Other designated	45,520	-
Samaritan House	43,900	41,600
Downsview Youth Covenant	37,400	44,600
Episcopal areas	34,984	40,888
St. John, Peterborough Community Outreach	30,000	15,000
TUNM (Toronto Urban Native Ministry)	30,000	25,000
Couchiching Jubilee House	26,190	26,190
North House	25,483	25,483
Philip Aziz Centre	25,000	22,500
Anglican Appeal	18,000	35,183
Matthew House	10,000	-
St. John, Lakefield After-School Program	5,000	5,000
Mission to Seafarers	1,133	1,189
Street to Trail Association	100	-
Voice of the Martyrs	-	43,477
	<u>1,343,011</u>	<u>1,215,229</u>
Campaign costs		
Staffing	101,415	100,112
Printing – campaign material	67,677	76,275
Event	29,087	1,077
Website and marketing	6,405	7,223
Other	2,471	5,686
Travel and meetings	2,161	5,030
Shipping and postage	2,139	1,202
	<u>211,355</u>	<u>196,605</u>
Total distributions and campaign costs	<u>1,554,366</u>	<u>1,411,834</u>
Excess (deficiency) of revenue over distributions and campaign costs	<u>\$ (139,500)</u>	<u>\$ 111,956</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

11. Restricted Funds (continued)

b) Our Faith - Our Hope Capital Campaign

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

	<u>2016</u>	<u>2015</u>
Revenue		
Donations - to Parishes	\$ 1,715,440	\$ 3,412,475
- to Diocese	12,311	531,504
Less: Rebate to parishes	<u>(801,053)</u>	<u>(1,554,625)</u>
	926,698	2,389,354
Investment income	<u>1,241,348</u>	<u>35,989</u>
	<u>2,168,046</u>	<u>2,425,343</u>
Our Faith - Our Hope distributions:		
Giving to others	942,500	-
Pioneering Ministry	399,834	283,500
Adaptive Reuse of Parish Facilities	345,500	627,640
Enabling Parishes to become Multi-staffed	294,455	77,290
Communicating in a Wireless World	180,165	310,177
Leadership Development	<u>72,584</u>	<u>112,974</u>
	<u>2,235,038</u>	<u>1,411,581</u>
Campaign costs		
Staffing and consulting	55,950	55,442
Service fees	30,825	45,170
Shipping and postage	10,052	12,580
Other	9,660	2,659
Printing - campaign material	5,519	20,065
Travel and meetings	2,870	149
Office	<u>469</u>	<u>2,310</u>
	<u>115,345</u>	<u>138,375</u>
Total distributions and campaign costs	<u>2,350,383</u>	<u>1,549,956</u>
Excess (deficiency) of revenue over distributions and campaign costs	<u>\$ (182,337)</u>	<u>\$ 875,387</u>

The campaign costs incurred from the inception of the Our Faith - Our Hope Fund Capital campaign in 2010 of \$6,263,091 have generated donations and pledges of \$35,993,040 including: gross revenue recognized in fiscal 2016, 2015, 2014, 2013, 2012, 2011 and 2010 of \$1,727,751, \$3,943,979, \$4,847,919, \$5,190,892, \$7,631,540, \$7,964,192 and \$593,971, respectively. Uncollected pledges as at December 31, 2016 of \$4,092,796 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, 2016

12. Other income

In fiscal 2015, other income includes a return of funds held by the Anglican Church of Canada of \$545,783.

13. 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, loans receivable and investments in fixed income securities. The Diocese maintains a provision for potential losses of \$643,337 (2015 - \$653,072) 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, 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.

14. 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 2016	Total 2015
Direct costs	\$ 999,909	\$ 615,593	\$ 347,176	\$ 1,669,415	\$ 1,309,198	\$ 365,081	\$ 5,306,372	\$ 4,771,356
Salaries and benefits	991,704	956,407	1,168,104	-	449,999	87,470	3,653,684	3,828,575
	<u>\$ 1,991,613</u>	<u>\$ 1,572,000</u>	<u>\$ 1,515,280</u>	<u>\$ 1,669,415</u>	<u>\$ 1,759,197</u>	<u>\$ 452,551</u>	<u>\$ 8,960,056</u>	<u>\$ 8,599,931</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, 2016

15. 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>2016</u>	<u>2015</u>
<u>Ministry Grants</u>		
All Saints, Sherbourne	\$ 88,067	\$ -
Cathedral Church of St. James	85,000	-
Christ Church, Bolton	52,080	41,552
Christ Church, St. James	-	10,000
Church of the Transfiguration	58,500	26,200
Epiphany and St. Mark	-	-
Grace Church in Scarborough	73,750	58,000
Jeremiah Community	-	7,994
Mandarin Project	-	986
St. Aidan, Toronto	53,583	71,000
St. Andrew, Alliston	48,100	64,700
St. Bartholomew	20,000	-
St. Clement, Eglinton	62,504	-
St. Chad	93,327	-
St. George-the-Martyr, Parkdale	55,000	93,333
St. George-on-Yonge	50,700	-
St. Hugh and St. Edmund	-	6,050
St. John, Ida	-	4,000
St. John, Peterborough	26,520	27,000
St. John the Evangelist, Peterborough	-	14,100
St. John, West Toronto	-	5,000
St. John, York Mills	59,683	-
St. Margaret, New Toronto	99,600	70,400
St. Martin, Bay Ridges	-	1,562
St. Mary Magdalene	28,500	96,750
St. Paul, Beaverton	-	12,560
St. Paul, Bloor Street	6,000	-
St. Peter, Cobourg	33,000	44,000
St. Philip-on-the-Hill	115,600	100,300
St. Stephen-in-the-Fields	43,000	40,000
St. Stephen, Maple	55,173	-
<u>Real Estate Grants</u>		
St. Elizabeth, Mississauga	-	1,300,000
St. Philip, Etobicoke	1,100,000	-
St. Stephen, Maple	110,000	-
<u>Other Grants</u>		
Refugee Sponsorship Grants	239,373	-
Stretch Grants	30,000	25,430
Reach Grants	39,900	41,969
	<u>\$ 2,726,960</u>	<u>\$ 2,162,886</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2016

16. 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.

17. Interfund transfers

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

- \$977,975 from the Restricted Fund to the Unrestricted Fund primarily to support expenditures in operations;
 - \$261,443 from the Endowment Fund to the Unrestricted Fund primarily relating to endowments where income is to be used to support expenditures in operations; and
 - \$97,011 from the Unrestricted Fund to the Capital Assets Fund primarily relating to cash outlays for capital asset acquisitions.
-

18. 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:

2017	\$ 152,605
2018	98,681
2019	63,126
2020	42,063
2021	30,000

19. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2016 financial statements.

During the year, the Diocese changed its presentation of Restricted Funds in the statement of changes in fund balances to present the Restricted Funds by nature of restriction (internally or externally restricted) as opposed to how they relate to the deferred benefit remeasurement. Accordingly, the statement of changes in fund balances now presents the continuity of the internally and externally restricted amounts within the Restricted Funds as opposed to the continuity of the deferred benefit remeasurement and residual amounts.

This results in the following changes:

Decrease in "Other" fund category:	\$17,136,714
Decrease in "Deferred benefit remeasurement" fund category:	\$1,075,300
Increase in "Externally Restricted" fund category:	\$909,819
Increase in "Internally Restricted" fund category:	\$17,302,195

This change had no other impact on the financial statements.

The Incorporated Synod of the Diocese of Toronto

Schedule 1 - Details of the Consolidated Trust Fund

As at and year ended December 31

Investments

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

	<u>2016</u>	%	<u>2015</u>	%
Short-term deposits	\$ 4,052,588	3	\$ 3,765,277	3
Bonds	40,277,145	28	40,588,263	32
Stocks	94,106,975	67	81,190,899	63
Infrastructure	<u>2,983,086</u>	2	<u>2,539,078</u>	2
	<u>\$ 141,419,794</u>	100	<u>\$ 128,083,517</u>	100

Changes in Net Assets

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

	<u>2016</u>	<u>2015</u>
Net assets, beginning of year	\$ 127,769,902	\$ 122,670,728
Add: Contributions	9,563,938	7,978,166
Capital appreciation	9,323,690	379,395
Interest and dividends	3,848,700	4,145,304
Less: Withdrawals	(4,386,348)	(1,898,136)
Distributions	(5,270,826)	(4,941,305)
Expenses	<u>(616,188)</u>	<u>(564,250)</u>
Net assets, end of year	<u>\$ 140,232,868</u>	<u>\$ 127,769,902</u>
Number of units outstanding, end of year	614,015	590,382
Number of units owned by the Diocese	310,440	308,985
Number of units owned by parishes	303,575	281,397
Net assets, end of year, per unit	\$ 228.39	\$ 216.42
Distribution per unit	\$ 8.78	\$ 8.65
Net earnings	\$ 12,556,201	\$ 3,960,449
Average number of units outstanding	602,198	576,461
Net gain per unit	\$ 20.85	\$ 6.87

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 \$8.78 (2015 - \$8.65) per unit, based upon a 4.25% distribution rate on investments on June 30, 2015 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.