



CONVENING CIRCULAR

Financial Report for 2016

Section D



Diocese of Toronto
Anglican Church of Canada

Report to the 157th Regular Session of Synod From the Treasurer

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This report was received by Diocesan Council on May 27, 2017.

The Incorporated Synod of the Diocese of Toronto

Structure of the Financial Statement

The main change to the financial statements in 2016 pertained to the presentation of deferred benefit remeasurement in the Statement of Changes in Fund Balances. Based on a review of the standards it was determined that there was not a need to show the details of the remeasurement as a separate column under the restricted fund category. The change in presentation was used to improve reporting on restricted funds by providing continuity for the internally and externally restricted funds.

Statement of Revenue and Expenses

There was an excess of revenue over expense resulting in a surplus of \$3,029,857 (2015-loss of \$543,246).

Revenue increased for the following reasons:

- While investment income from the Consolidated Trust Fund was lower in 2016 there was a gain in capital appreciation of \$4,957,000 consistent with market performance during the year. The one year rate of return on investments was 10% in 2016 compared to 3% in 2015.
- The property revenue includes amounts designated to the Ministry Allocation Fund from the sale of four properties held by parishes. The largest amount for one property was \$3 million. There was also one new approval for the sale of a former parish property managed by the Synod Office which was sold early in 2017.
- Offsetting those increases was a decrease of \$1.4 million in Our Faith – Our Hope donations. This was expected as the campaign is coming to a close.

Expenses increased for the following reasons:

- When combining grants paid from FaithWorks, Our Faith – Our Hope, Endowment funds and the Ministry Allocation fund there was a total increase of \$3.1 million from the prior year for a total of \$9,229,000.
- Most expense categories were lower compared to 2015 and underbudget.

Comparison to prior year shows the following increases:

- Church growth and development increased due to costs incurred to support two additional parish properties (\$130,000).
- Supporting ordained and lay leaders increased due to a \$45,000 increase in Curacy grants, a Relocation and Retraining increase of \$95,000 which encompasses costs for Canon 10 non-disciplinary terminations which includes transitions between appointments and a \$97,000 increase in retirement allowances which is offset by income from restricted funds held in the Consolidated Trust Fund.

Major Budget Variances include the following:

- Episcopal Expenses were underbudget by \$172,000. The under-expenditure is primarily due to savings from vacancies in the Trent Durham and York Credit Valley offices. The savings were offset by over-expenditures for Aboriginal Ministry which was historically funded through discretionary funds and action planning work by the consultants to support the Strategic Plan.
- The Synod budget was over by \$41,000 as the cost of an episcopal election was included in the 2017 budget not 2016.
- Additional variance comments are included in Appendix 2.

Financial Position

Assets

Assets increased by \$13.4 million mainly due to an increase in the investments held (increase of \$13 million). Other items to note:

Accounts Receivable - Parish receivables have decreased from the prior year. During the course of the year progress was made with respect to having parishes on the overdue list agree to repayment plans.

	2016		2015	
	\$ Amount	# of Parishes	\$ Amount	# of Parishes
Current Balances	95,685	14	96,554	14
One month past due	66,855	7	23,000	3
Two months past due	91,051	6	79,075	7
Three months and greater	798,534	18	1,115,909	20
Total AR at Dec 31	1,047,656		1,314,538	
Allowance for Doubtful Accounts	(299,480)		(300,110)	
Per Financial Statements	743,707		1,014,428	

Of the 18 churches over 90 days 10 are on repayment plans and have been consistent in making payments. The remaining churches are in discussions on how to proceed and their balances have been included in the allowance for doubtful accounts. Subsequent to year end, balances for two parishes not on repayment plans were paid in full totaling \$256,000.

Loans Receivable - Loans increased from 2015 due to 3 new loans being granted from the Ministry Allocation Fund. A total of two loans were closed during 2016.

	2016		2015	
	\$ Amount	# of Parishes	\$ Amount	# of Parishes
Synod Bank Loans	697,168	4	799,619	5
Rectory Loans	95,024	2	99,024	2
Church Development Loans	2,681,805	3	2,741,805	3
Ministry Allocation Fund Loans	2,745,953	9	1,528,918	7
Total Loans at Dec 31	6,219,950		5,169,366	
Allowance for Doubtful Accounts	(344,135)		(346,530)	
Per Financial Statements	5,875,815		4,822,836	

Properties Held for Sale – One property was put up for sale in 2016 with a value of \$300,000. It was sold February 2017. Two properties remain available to sell at December 31, 2016 although not currently listed.

Liabilities

Liabilities increased from the prior year by \$10.4 million mainly due to an increase in parish investments held in the Consolidated Trust Fund (\$8.5 million). Additionally, payables increased by \$2.1 million due to property sale proceeds being held for newly amalgamated parishes as they work through restructuring plans.

The Cemetery Fund of the Incorporated Synod of the Diocese of Toronto

The Cemetery Fund is comprised of funds invested on behalf of parishes with cemeteries. The investments are reviewed on a quarterly basis by the Investment Committee of the Diocese.

The net gain for the year was \$766,380 which was up from the 2015 result of \$174,886. While investment income decreased and expenses were static there was a gain in the capital value consistent with market results for the year. The overall annual return on the fund for 2016 was 7.8% compared to 1.5% in 2015.

Incorporated Synod of the Diocese of Toronto**APPENDIX 1**

December 31, 2016 Year End

Net Income Details for Restricted and Unrestricted Funds

Restricted Funds

	Our Faith- Our Hope	FaithWorks	Bishops Company	Restricted Funds Held in CTF ¹	Total Restricted Income
Revenue	2,168,046	1,414,566	168,415	2,606,103	6,357,130
Expenses	2,350,383	1,554,366	122,408	894,161	4,921,318
Net Income (Loss)	(182,337)	(139,800)	46,007	1,711,942	1,435,812

Unrestricted Funds

	Operating Budget (per internal monthly statement)	Invested Operating Fund ²	Total Unrestricted Income
Revenue	8,184,458	6,174,182	14,358,640
Gross Up for Revenue Offsetting			
Expenses in Monthly Reporting ³	595,182		595,182
Restricted Fund Transfers ⁴	(1,814,875)		(1,814,875)
Revenue Per Audited Statements	6,964,765	6,174,182	13,138,947
Expenses	8,364,876	3,406,628	11,423,503
Gross Up for Revenue Offsetting			
Expenses in Monthly Reporting	595,182		595,182
Expenses Per Audited Statements	8,960,056	3,406,628	12,366,684
Net Income	(1,995,291)	2,767,554	772,263

¹ Restricted Funds Held in the CTF include retirement allowances and benefits, discretionary funds and bequests.² Invested Operating Fund consists of Diocesan Properties and Ministry Allocation Fund³ For Internal presentation purposes cost recoveries for various departments are net against expenses. For external reporting the cost recoveries must be presented as revenue.⁴ For Internal presentation purposes restricted revenue that covers operational costs is recorded as operating revenue. For external reporting the amounts are recorded as interfund transfers. (Example - Marriott Income).

Incorporated Synod of the Diocese of Toronto
 Income and Expenditures - Operating Budget
 As at December 31

APPENDIX 2

<i>The Incorporated Synod of the Diocese of Toronto</i>							
Income and Expenditures - Operations							
For 12 months ending December 31, 2016							
	Budget 2016	Actual 2016	Actual 2015	% Variance Actual vs. Budget	\$ Variance Actual vs. Budget	\$ Variance Actual vs. Prior Year	
INCOME							
Income from Parishes - Allotment	5,800,000	5,761,582	5,705,173	-0.7%	(38,418)	56,409	
Interest on Capital	1,798,000	1,786,507	1,893,782	-0.6%	(11,493)	(107,275)	
Income from New Endowment	260,000	260,000	204,520	0.0%	-	55,480	
Fees and Donations	-	-	1,398	0.0%	-	(1,398)	
Total INCOME	7,858,000	7,808,089	7,804,874	-0.6%	(49,911)	3,216	
EXPENDITURES							
Leadership and Governance							
Episcopal Expenses	1,718,250	1,546,144	1,679,249	10.2%	172,106	1	133,105
Developing and Supporting Clerical Lead	899,965	1,061,080	848,432	-19.0%	(161,115)	2	(212,648)
CAO Office	313,000	289,530	306,210	7.7%	23,470		16,680
Synod	5,250	46,127	66,935	-61.1%	(40,877)	3	20,809
Administration	766,700	691,474	720,470	10.4%	75,226	4	28,997
Archives	144,200	143,691	157,157	0.3%	509		13,466
Total - Leadership and Governance	3,847,365	3,778,046	3,778,452	1.8%	69,319		407
Support for the Wider Church	1,566,892	1,609,515	1,544,051	-2.6%	(42,623)	5	(65,464)
Episcopal Area Budgets	400,000	344,146	355,404	14.0%	55,854	6	11,258
Human Resources	147,800	145,674	157,999	1.4%	2,126		12,325
Congregational Development	437,000	410,484	427,540	6.1%	26,516		17,056
Stewardship Development	183,840	154,760	161,628	15.8%	29,080		6,868
Chaplaincy	303,500	302,121	303,897	0.5%	1,379		1,776
Communications	258,990	248,033	239,698	4.2%	10,957		(8,336)
Advocacy	107,510	102,685	101,132	4.5%	4,825		(1,553)
Facilities Costs	245,160	265,363	237,247	-8.2%	(20,203)		(28,116)
Property Support	202,350	271,443	147,867	-34.1%	(69,093)	7	(123,576)
Budget Adjustments	28,800	-	-	100.0%	28,800		-
Contingency	-	8,238	(21,932)	n/a	(8,238)		(30,170)
Total EXPENDITURES	2,314,950	2,252,946	2,110,478	2.7%	62,004		(142,468)
Surplus (Deficit) before Capital	128,793	167,583	371,891	30.1%	38,790		(204,309)
Capital Budget	85,000	97,011	200,289	-14.1%	(12,011)		103,278
Surplus (Deficit)	43,793	70,572	171,602	-61.1%	(26,779)		(101,030)
Income from CTF - Specific Purpose	246,000	376,369	267,420	53.0%	130,369		108,949
Disbursements funded by CTF	246,000	376,369	267,420	-53.0%	(130,369)		(108,949)
Diocesan Ministry - ASCCC	-	-	-	n/a	-		-

Variance Explanations

General Comments

The Diocese ended the fiscal year with a surplus of \$71,000 compared to a budget of \$44,000 resulting in a favourable variance of \$27,000. There were quite a few changes during the year that impacted the financial situation however all issues were accommodated within the approved budget.

The details of the larger variances from actual to budget are as follows:

Expenditure Variances - Favourable/(Unfavourable) \$89,000

1. Episcopal Expenses - \$172,000 – The under-expenditure is primarily due to savings from vacancies in the Trent Durham and York Credit Valley offices. These savings have been offset by over-expenditures for Aboriginal Ministry and strategic planning. Historically the Aboriginal Minister role was funded through discretionary funds but as the intention is for this to be an ongoing ministry it was felt it should be reflected in the operational budget. The original quote from the consultants for the strategic plan did not include the session or document relating to action planning. The Strategic Planning Steering Committee felt that this was important for the plan to succeed so the cost was anticipated as an over-expenditure.
2. Developing and Supporting Clerical Leadership-(\$161,000) - There are two main contributors to this budget overage including:
 - a. Curacy grants were over budget however they are partially funded by the York Rectory Commission and that revenue is recorded in the Interest on Capital revenue line (\$90,000).
 - b. The relocation and retraining budget was over by \$100,000 which encompasses costs for Canon 10 non-disciplinary terminations which includes transitions between appointments.
3. Synod – (\$40,000) – Costs for an Episcopal election were included in the 2017 budget but not 2016 so an over-expenditure exists.
4. Administration - \$75,000 – Savings were primarily due to no adjustment being required to bad debts and no requirement to use the bank overdraft available (no interest expense).
5. Support for the Wider Church – (\$43,000) – This over-expenditure represents the cost of hosting General Synod.
6. Episcopal Area Budgets - \$56,000 – The under-expenditure is primarily due to the transitions in the Episcopal offices.
7. Property Support – (\$69,000) – The majority of this over expenditure relates to costs to support St. George the Martyr and St Peter, Carlton St.

Note – The amount listed as the budget adjustment was established to hold potential changes to salaries. The only change to this amount is the result of the approved cost of living adjustment being allocated to each department's budget accordingly.