



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2017

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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, 2017, 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, 2017, 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 24, 2018

Chartered Professional Accountants
Licensed Public Accountants

The Incorporated Synod of the Diocese of Toronto

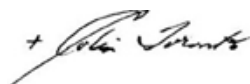
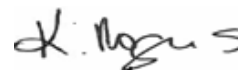
Statement of Financial Position

As at December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2017	Total 2016
Assets						
Current						
Cash	\$ 1,944,516	\$ -	\$ 2,204,690	\$ -	\$ 4,149,206	\$ 4,777,732
Receivables - parishes	1,000,427	-	-	-	1,000,427	743,707
- loans (Note 3)	1,769,902	-	-	-	1,769,902	970,479
- other	360,294	-	272,451	-	632,745	513,369
Prepays	16,177	-	-	-	16,177	23,282
	5,091,316	-	2,477,141	-	7,568,457	7,028,569
Loans receivable (Note 3)						
Parishes	2,919,582	-	-	-	2,919,582	4,905,336
Clergy	-	-	-	-	-	1,000
Investments in the Consolidated Trust Fund (Note 4)	109,308,258	-	18,054,893	27,907,571	155,270,722	143,404,519
Investments - other (Note 5)	-	-	8,223,565	-	8,223,565	8,948,419
Capital assets and properties (Notes 6a and 6b)	975,000	600,785	-	-	1,575,785	1,671,812
Other property (Note 7)	-	-	-	-	-	-
	<u>\$ 118,294,156</u>	<u>\$ 600,785</u>	<u>\$ 28,755,599</u>	<u>\$ 27,907,571</u>	<u>\$ 175,558,111</u>	<u>\$ 165,959,655</u>
Liabilities						
Current						
Distributions payable	\$ -	\$ -	\$ 1,171,962	\$ -	\$ 1,171,962	\$ 1,463,003
Payables and accruals (Note 8)	4,949,037	-	478,904	-	5,427,941	3,820,009
	4,949,037	-	1,650,866	-	6,599,903	5,283,012
Deferred benefit liability (Note 9)	-	-	8,850,200	-	8,850,200	8,324,900
Parish Consolidated Trust Fund liabilities (Note 4)	75,900,115	-	-	-	75,900,115	69,452,457
	<u>80,849,152</u>	<u>-</u>	<u>10,501,066</u>	<u>-</u>	<u>91,350,218</u>	<u>83,060,369</u>
Fund balances						
Unrestricted	37,445,004	600,785	-	-	38,045,789	37,862,405
Internally restricted	-	-	17,592,969	68,956	17,661,925	17,896,916
Externally restricted	-	-	661,564	10,960,681	11,622,245	9,986,988
Endowment	-	-	-	16,877,934	16,877,934	17,152,977
	<u>37,445,004</u>	<u>600,785</u>	<u>18,254,533</u>	<u>27,907,571</u>	<u>84,207,893</u>	<u>82,899,286</u>
	<u>\$ 118,294,156</u>	<u>\$ 600,785</u>	<u>\$ 28,755,599</u>	<u>\$ 27,907,571</u>	<u>\$ 175,558,111</u>	<u>\$ 165,959,655</u>

Commitments (Note 17)

On behalf of the Diocesan Council

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 2017	Total 2016
Revenue						
Parishes	\$ 5,751,378	\$ -	\$ -	\$ -	\$ 5,751,378	\$ 5,761,582
Fees and donations	1,041,876	-	-	-	1,041,876	820,915
Donations - FaithWorks (Note 11a)	-	-	1,061,561	-	1,061,561	1,338,288
Donations - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	179,198	-	179,198	926,698
Investment income	1,236,097	-	1,900,027	1,031,801	4,167,925	3,999,468
Capital appreciation	1,425,800	-	1,527,794	1,224,075	4,177,669	4,957,029
Properties revenue (Note 6b)	1,306,854	-	-	-	1,306,854	3,493,346
Other income	437,297	-	169,845	-	607,142	560,683
	<u>11,199,302</u>	<u>-</u>	<u>4,838,425</u>	<u>2,255,876</u>	<u>18,293,603</u>	<u>21,858,009</u>
Expenses (Note 13)						
Church growth and development	2,699,173	-	-	-	2,699,173	1,991,613
Corporate governance and support services	1,879,623	-	-	-	1,879,623	1,572,000
Episcopal care and leadership	1,620,346	-	-	-	1,620,346	1,515,280
The Wider Church	1,620,854	-	-	-	1,620,854	1,669,415
Supporting ordained and lay leaders	1,738,317	-	-	-	1,738,317	1,759,197
Church and society	201,833	-	-	-	201,833	452,551
Campaign costs - FaithWorks (Note 11a)	-	-	148,093	-	148,093	211,355
Campaign costs - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	76,791	-	76,791	115,345
Fund distributions and disbursements - FaithWorks (Note 11a)	-	-	1,029,817	-	1,029,817	1,343,011
Fund distributions and disbursements - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	1,739,508	-	1,739,508	2,235,038
Fund distributions and disbursements - other	450,852	-	920,017	624,212	1,995,081	2,924,336
Parish support (Note 14)	1,422,705	-	-	-	1,422,705	2,726,960
Amortization of capital assets	-	351,655	-	-	351,655	312,051
	<u>11,633,703</u>	<u>351,655</u>	<u>3,914,226</u>	<u>624,212</u>	<u>16,523,796</u>	<u>18,828,152</u>
Excess (deficiency) of revenue over expenses	<u>\$ (434,401)</u>	<u>\$ (351,655)</u>	<u>\$ 924,199</u>	<u>\$ 1,631,664</u>	<u>\$ 1,769,807</u>	<u>\$ 3,029,857</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 2017	Total 2016
			Internally Restricted Fund	Externally Restricted Fund			
Fund balances, beginning of year	\$ 37,090,593	\$ 771,812	\$ 17,831,247	\$ 748,704	\$ 26,456,930	\$ 82,899,286	\$ 79,959,329
Excess (deficiency) of revenue over expenses	(434,401)	(351,655)	996,825	(72,626)	1,631,664	1,769,807	3,029,857
Retirement benefits remeasurements and other items (Note 15)	-	-	(461,200)	-	-	(461,200)	(89,900)
Interfund transfers (Note 16)	788,812	180,628	(773,903)	(14,514)	(181,023)	-	-
Fund balances, end of year	<u>\$ 37,445,004</u>	<u>\$ 600,785</u>	<u>\$ 17,592,969</u>	<u>\$ 661,564</u>	<u>\$ 27,907,571</u>	<u>\$ 84,207,893</u>	<u>\$ 82,899,286</u>

Fund balances, end of year

Unrestricted	\$ 37,445,004	\$ 600,785	\$ -	\$ -	\$ -	\$ 38,045,789	\$ 37,862,405
Internally restricted	-	-	17,592,969	-	68,956	17,661,925	17,896,916
Externally restricted	-	-	-	661,564	10,960,681	11,622,245	9,986,988
Endowment	-	-	-	-	16,877,934	16,877,934	17,152,977
	<u>\$ 37,445,004</u>	<u>\$ 600,785</u>	<u>\$ 17,592,969</u>	<u>\$ 661,564</u>	<u>\$ 27,907,571</u>	<u>\$ 84,207,893</u>	<u>\$ 82,899,286</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 2017	Total 2016
Increase (decrease) in cash						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ (434,401)	\$ (351,655)	\$ 924,199	\$ 1,631,664	\$ 1,769,807	\$ 3,029,857
Add (deduct):						
Capital (appreciation) depreciation	(1,425,800)	-	(1,527,794)	(1,224,075)	(4,177,669)	(4,957,029)
Properties held for sale sold during the year	(75,000)	-	-	-	(75,000)	(300,000)
Non-cash portion of deferred benefit liability	-	-	468,400	-	468,400	459,700
Amortization of capital assets	-	351,655	-	-	351,655	312,051
	(1,935,201)	-	(135,195)	407,589	(1,662,807)	(1,455,421)
Change in non-cash working capital (Page 7)	870,796	-	77,104	-	947,900	2,110,502
	(1,064,405)	-	(58,091)	407,589	(714,907)	655,081
Financing activity						
Interfund transfers	788,812	180,628	(788,417)	(181,023)	-	-
Investing activities						
(Increase) in loans receivable (net)	1,187,331	-	-	-	1,187,331	(1,050,579)
(Increase) decrease in investments (net)	(1,483,140)	-	1,193,684	(226,566)	(516,022)	389,257
Purchase of capital assets	-	(180,628)	-	-	(180,628)	(97,011)
Pension contributions (Note 9)	-	-	(404,300)	-	(404,300)	(348,700)
	(295,809)	(180,628)	789,384	(226,566)	86,381	(1,107,033)
Net change in cash	(571,402)	-	(57,124)	-	(628,526)	(451,952)
Cash, beginning of year	2,515,918	-	2,261,814	-	4,777,732	5,229,684
Cash, end of year	<u>\$ 1,944,516</u>	<u>\$ -</u>	<u>\$ 2,204,690</u>	<u>\$ -</u>	<u>\$ 4,149,206</u>	<u>\$ 4,777,732</u>
Additional cash flow information						
Remeasurements and other items	\$ -	\$ -	\$ 461,200	\$ -	\$ 461,200	\$ 89,900

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 2017	Total 2016
Change in non-cash working capital						
Parish and other receivables	\$ (265,337)	\$ -	\$ (110,759)	\$ -	\$ (376,096)	\$ 364,747
Prepays	7,105	-	-	-	7,105	238
Distributions payable	-	-	(291,041)	-	(291,041)	(293,511)
Payables and accruals	<u>1,129,028</u>	<u>-</u>	<u>478,904</u>	<u>-</u>	<u>1,607,932</u>	<u>2,039,028</u>
	<u>\$ 870,796</u>	<u>\$ -</u>	<u>\$ 77,104</u>	<u>\$ -</u>	<u>\$ 947,900</u>	<u>\$ 2,110,502</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

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 of the bible and prayer books in the Diocese, 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, 2017

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 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 ("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 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, 2017

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 in 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 Council. When 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 Council approves the property to 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.

Parishes revenue, investment income, capital appreciation and other income 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, 2017

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, 2017

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 eight 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, 2017

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>2017</u>	<u>2016</u>
Assets		
Cash	\$ 1,332,953	\$ 1,856,713
Interest receivable	211,203	200,130
Due from the Diocese	-	273,785
Investments at fair value (Schedule 1)	<u>153,810,777</u>	<u>141,419,794</u>
	<u>155,354,933</u>	<u>143,750,422</u>
Liabilities		
Dividends payable	3,701,699	3,445,436
Due to the Diocese	963,904	-
Accrued liabilities	<u>84,211</u>	<u>72,118</u>
	<u>4,749,814</u>	<u>3,517,554</u>
Net assets	150,605,119	140,232,868
Elimination of liabilities (assets) related to the Diocese:		
Dividends payable to Diocese and Parishes	3,701,699	3,445,436
Due to (from) the Diocese	<u>963,904</u>	<u>(273,785)</u>
Adjusted net assets	<u>\$ 155,270,722</u>	<u>\$ 143,404,519</u>

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

	<u>2017</u>	<u>2016</u>
Diocese:		
Share of undistributed assets	\$ 74,833,996	\$ 70,900,407
Share of dividends payable	3,572,707	3,325,440
Due to (from) the Diocese	<u>963,904</u>	<u>(273,785)</u>
	<u>79,370,607</u>	<u>73,952,062</u>
Parishes (not available for Diocesan use):		
Share of undistributed assets	75,771,123	69,332,461
Share of dividends payable	<u>128,992</u>	<u>119,996</u>
	<u>75,900,115</u>	<u>69,452,457</u>
	<u>\$ 155,270,722</u>	<u>\$ 143,404,519</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

5. Investments - other

Investments are held as follows:

	<u>2017</u>	<u>2016</u>
Short-term investments	\$ 11,451	\$ 508,214
Bonds	1,707,063	1,996,205
Equities	<u>6,505,051</u>	<u>6,444,000</u>
	<u>\$ 8,223,565</u>	<u>\$ 8,948,419</u>

6. Capital assets and properties

a) Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2017 Net Book Value</u>	<u>2016 Net Book Value</u>
Computer hardware	\$ 45,230	\$ 22,137	\$ 23,093	\$ 30,672
Computer software	8,120	4,060	4,060	9,243
Leasehold improvements	615,418	342,817	272,601	246,534
Diocesan centre renovations	1,746,065	1,571,458	174,607	349,214
Diocesan parking lot	<u>175,049</u>	<u>48,625</u>	<u>126,424</u>	<u>136,149</u>
	<u>\$ 2,589,882</u>	<u>\$ 1,989,097</u>	<u>\$ 600,785</u>	<u>\$ 771,812</u>

b) Properties

During the year, Council approved two parish properties for sale resulting in the recognition of the parish as a property held for sale. Also, two properties that were held for sale were sold. 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 in the Unrestricted Funds of \$1,306,854 (2016 - \$3,493,346).

Unsold properties, including those unsold from prior year, aggregate to \$975,000 (2016 - \$900,000) and are included as property of the Unrestricted Funds.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

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, 2017:

The Diocesan Centre located at 135 Adelaide Street East, Toronto *	\$ 5,225,367
315 Dundas Street East, Toronto	5,243,583
323 Dundas Street East, Toronto	2,141,062
327 Dundas Street East, Toronto	1,238,673

- * 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 \$1,190,730 (2016 - \$1,166,443) has been recorded as investment income of the Restricted Funds.

In addition, the Diocese owns undeveloped land on Bayly St., Ajax, Columbus Road, Oshawa, and the Former St. Alban, Camilla 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:

- 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
- 95 Cook Street, Barrie
- 267 Hollywood Drive, Keswick
- 3315 King Street, Caledon
- Former Christ Church, Whitfield, Mulmur

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$522,086 (2016 - \$37,452).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

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>2017</u>	<u>2016</u>
Expense for the year	<u>\$ 64,100</u>	<u>\$ 111,000</u>
Accrued benefit obligation	<u>\$ 8,850,200</u>	<u>\$ 8,324,900</u>
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status before segregated restricted funds - plan deficit	<u>\$ 8,850,200</u>	<u>\$ 8,324,900</u>
Restricted funds segregated for retirement benefits	<u>\$ 12,550,003</u>	<u>\$ 11,618,832</u>
Other information:		
Benefits paid during the year	<u>\$ 404,300</u>	<u>\$ 348,700</u>

Significant actuarial assumptions are as follows:

Health care cost trend rates		
Health	7.5%	7.8%
Dental	4.5%	4.5%

A discount rate of 3.4% (2016 - 3.8%) was used to determine the deferred benefit liability as of December 31, 2017.

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

Employee pension plan

Each year, an independent actuary determines the funding status of the General Synod Pension Plan (the "Plan") by comparing the actuarial value of invested assets to the estimated present value of all pension benefits the members have earned to date. The most recent actuarial valuation of the Plan was conducted at December 31, 2016. The results of this valuation disclosed total actuarial liabilities of \$658 million with respect to benefits accrued for service with actuarial assets at that date of \$757 million, indicating an actuarial surplus of \$99 million. Because the Plan is a multi-employer plan, any Plan surpluses or deficits are the joint responsibility of the organizations and the employees in the Plan. As a result, the Diocese does not recognize any share of the Plan surplus or deficit.

The Diocese's share of contributions made to the pension plan amounted to \$393,169 (2016 - \$391,879).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

10. Internally restricted funds

Internally restricted funds consist of the following:

Restricted Funds	2017	2016
Funds for retirement benefits	\$ 12,550,003	\$ 11,618,832
Funds for retirement allowances	4,059,379	3,976,352
Funds for other strategic purposes	1,458,587	2,236,063
	18,067,969	17,831,247
 Endowment Funds		
Funds for other strategic purposes	68,956	65,669
	\$ 18,136,925	\$ 17,896,916

11. Restricted Funds

a) FaithWorks

FaithWorks activity during the year was as follows:

	2017	2016
Revenue		
Donations - Parishioners	\$ 569,993	\$ 737,902
- Other	336,072	369,656
- Corporate campaign	155,496	230,730
	1,061,561	1,338,288
 Investment income	68,928	76,578
	1,130,489	1,414,866

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

11. Restricted Funds (continued)

a) FaithWorks (continued)

	<u>2017</u>	<u>2016</u>
FaithWorks distributions:		
All Saints Church Community Centre	298,000	312,000
Flemingdon Park Ministries	195,000	220,035
Primates World Relief and Development Fund	100,000	114,432
The Dam	64,040	64,040
The Bridge	62,900	62,900
Anglican United Refugee Alliance	41,400	103,058
Samaritan House	38,900	43,900
St. John, Peterborough Community Outreach	35,000	30,000
David Busby Centre	34,400	54,694
Downsview Youth Covenant	31,000	37,400
TUNM (Toronto Urban Native Ministry)	30,000	30,000
Couchiching Jubilee House	26,190	26,190
North House	25,483	25,483
Philip Aziz Centre	20,000	25,000
LOFT Community Services	10,902	79,142
Anglican Appeal	10,000	18,000
St. John, Lakefield After-School Program	5,000	5,000
Mission to Seafarers	1,117	1,133
Other designated	485	45,520
Episcopal areas	-	34,984
Matthew House	-	10,000
Street to Trail Association	-	100
	<u>1,029,817</u>	<u>1,343,011</u>
Campaign costs		
Staffing	92,807	101,415
Campaign materials	36,753	67,677
Shipping and postage	8,412	2,139
Other	5,935	2,471
Website and marketing	4,136	6,405
Travel and meetings	50	2,161
Event	-	29,087
	<u>148,093</u>	<u>211,355</u>
Total distributions and campaign costs	<u>1,177,910</u>	<u>1,554,366</u>
Deficiency of revenue over distributions and campaign costs	<u>\$ (47,421)</u>	<u>\$ (139,500)</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

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>2017</u>	<u>2016</u>
Revenue		
Donations - to Parishes	\$ 357,060	\$ 1,715,440
- to Diocese	9,173	12,311
Less: Rebate to parishes	<u>(187,035)</u>	<u>(801,053)</u>
	179,198	926,698
Investment income	<u>777,392</u>	<u>1,241,348</u>
	<u>956,590</u>	<u>2,168,046</u>
Our Faith - Our Hope distributions:		
Giving to others	650,000	942,500
Pioneering ministry	363,340	399,834
Enabling parishes to become multi-staffed	255,978	294,455
Adaptive reuse of parish facilities	197,950	345,500
Communicating in a wireless world	167,770	180,165
Leadership development	<u>104,470</u>	<u>72,584</u>
	<u>1,739,508</u>	<u>2,235,038</u>
Campaign costs		
Staffing and consulting	49,729	55,950
Campaign materials	10,087	5,519
Service fees	7,140	30,825
Computer database	6,676	9,660
Office	2,424	469
Shipping and postage	735	10,052
Travel and meetings	<u>-</u>	<u>2,870</u>
	<u>76,791</u>	<u>115,345</u>
Total distributions and campaign costs	<u>1,816,299</u>	<u>2,350,383</u>
Deficiency of revenue over distributions and campaign costs	<u>\$ (859,709)</u>	<u>\$ (182,337)</u>

The campaign costs incurred from the inception of the Our Faith - Our Hope Fund Capital campaign in 2010 of \$6,339,882 have generated donations and pledges of \$33,377,124. Uncollected pledges as at December 31, 2017 of \$1,110,647 have not been recorded in these financial statements.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

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, loans receivable and investments in fixed income securities. The Diocese maintains a provision for potential losses of \$250,445 (2016 - \$643,337) 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 excess funds and ensuring appropriate financing is in place.

Interest rate risk

The Diocese's earnings are exposed to 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. The Diocese manages this risk by investing in a diversified portfolio of investments,

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. The Diocese manages this risk by investing in a diversified portfolio of investments,

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 2017	Total 2016
Direct costs	\$ 1,630,960	\$ 873,920	\$ 299,272	\$ 1,620,854	\$ 1,397,953	\$ 123,420	\$ 5,946,379	\$ 5,306,372
Salaries and benefits	1,068,213	1,005,703	1,321,074	-	340,364	78,413	3,813,767	3,653,684
	<u>\$ 2,699,173</u>	<u>\$ 1,879,623</u>	<u>\$ 1,620,346</u>	<u>\$ 1,620,854</u>	<u>\$ 1,738,317</u>	<u>\$ 201,833</u>	<u>\$ 9,760,146</u>	<u>\$ 8,960,056</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, 2017

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>2017</u>	<u>2016</u>
<u>Ministry Grants</u>		
All Saints, Sherbourne	\$ -	\$ 88,067
Cathedral Church of St. James	41,200	85,000
Christ Church, Bolton	-	52,080
Christ Memorial Church, Oshawa	14,500	-
Church of the Transfiguration	49,775	58,500
Grace Church in Scarborough	38,250	73,750
Mandarin Ministry	773	-
St. Aidan, Toronto	69,417	53,583
St. Andrew, Alliston	-	48,100
St. Bartholomew	50,000	20,000
St. Clement, Eglinton	87,253	62,504
St. Chad	86,547	93,327
St. George-the-Martyr, Parkdale	-	55,000
St. George-on-Yonge	42,000	50,700
St. John, Bowmanville	48,054	-
St. John, Peterborough	-	26,520
St. John, York Mills	70,517	59,683
St. Margaret, New Toronto	-	99,600
St. Mary Magdalene	20,750	28,500
St. Paul, Bloor Street	-	6,000
St. Paul, L'Amoureux	29,484	-
St. Peter, Cobourg	23,250	33,000
St. Philip-on-the-Hill	50,900	115,600
St. Stephen-in-the-Fields	29,000	43,000
St. Stephen, Maple	134,586	55,173
<u>Real Estate Grants</u>		
All Saints, Sherbourne	150,000	-
St. Philip, Etobicoke	-	1,100,000
St. Stephen, Maple	262,149	110,000
<u>Other Grants</u>		
Refugee Sponsorship Grants	85,400	239,373
Reach Grants	28,900	39,900
Stretch Grants	10,000	30,000
	<u>\$ 1,422,705</u>	<u>\$ 2,726,960</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2017

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:

- \$788,417 from the Restricted Funds to the Unrestricted Funds primarily to support expenditures in operations;
 - \$181,023 from the Endowment Funds to the Unrestricted Funds primarily relating to endowments where income is to be used to support expenditures in operations; and
 - \$180,628 from the Unrestricted Funds 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 as follows:

2018	\$ 179,305
2019	87,770
2020	63,796
2021	39,778
2022	33,850

18. Bank indebtedness

At December 31, 2017, the Diocese had an unsecured operating line of credit of \$2,000,000 (2016 - \$2,000,000), however, it has not been drawn upon (2016 - \$Nil). Interest on funds drawn on the line is calculated at the prime rate of interest as determined by the Diocese's bank.

19. Comparative amounts

Certain comparative amounts have been reclassified from those previously presented to conform to the presentation of the 2017 financial statements.

During the year, the Diocese changed its presentation of current receivables - loans in the statement of financial position to present the portion of the loans to be received within 12 months of the fiscal year end.

This results in the following changes:

Decrease in long term loan receivable – Parishes	\$970,479
Increase in current receivable - loans:	\$970,479
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>2017</u>	%	<u>2016</u>	%
Short-term deposits	\$ 3,818,331	2	\$ 4,052,588	3
Bonds	39,598,514	26	40,277,145	28
Stocks	106,364,310	69	94,106,975	67
Infrastructure	<u>4,029,622</u>	3	<u>2,983,086</u>	2
	<u>\$ 153,810,777</u>	100	<u>\$ 141,419,794</u>	100

Changes in Net Assets

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

	<u>2017</u>	<u>2016</u>
Net assets, beginning of year	\$ 140,232,868	\$ 127,769,902
Add: Contributions	6,517,346	9,563,938
Capital appreciation	9,696,782	9,323,690
Interest and dividends	3,511,519	3,848,700
Less: Withdrawals	(2,954,584)	(4,386,348)
Distributions	(5,702,116)	(5,270,826)
Expenses	<u>(696,695)</u>	<u>(616,188)</u>
Net assets, end of year	<u>\$ 150,605,120</u>	<u>\$ 140,232,868</u>
Number of units outstanding, end of year	629,354	614,015
Number of units owned by the Diocese	312,719	310,440
Number of units owned by parishes	316,635	303,575
Net assets, end of year, per unit	\$ 239.30	\$ 228.39
Distribution per unit	\$ 9.20	\$ 8.78
Net earnings	\$ 12,511,605	\$ 12,556,201
Average number of units outstanding	621,684	602,198
Net gain per unit	\$ 20.13	\$ 20.85

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 \$9.20 (2016 - \$8.78) per unit, based upon a 4.25% distribution rate on investments on June 30, 2016 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.