



CONVENING CIRCULAR

Financial Report for 2017

Section C

Isaiah 43:19

FINANCIAL REPORT FOR 2017

Report to the Incorporated Synod of the Diocese of Toronto from the Treasurer

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Treasurer and Director of Finance

The Incorporated Synod of the Diocese of Toronto

Structure of the Financial Statement

There were no changes to the structure of the financial statement in the current year.

Statement of Revenue and Expenses

There was an excess of revenue over expense resulting in a surplus of \$1,769,807 (2016- surplus of \$3,029,857).

Revenue increased for the following reasons:

- Investment income from the Consolidated Trust Fund was slightly higher in 2017 and capital appreciation of \$4,177,000 (2016-\$4,957,000) was consistent with market performance during the year. The one-year rate of return on investments was 9.5% in 2017 compared to 10.5% in 2016.
- The property revenue includes amounts designated to the Ministry Allocation Fund from the sale of two properties held by parishes. The largest amount for one property was \$1.2 million. There was also one new approval for the sale of a former parish property managed by the Synod Office which is currently on the market.
- Offsetting those increases was a decrease of \$747,500 in Our Faith – Our Hope donations. This was expected as the campaign is coming to a close.

Overall expenses decreased mainly due to a lower amount of grants paid in 2017. When combining grants paid from FaithWorks, Our Faith – Our Hope, Endowment funds and the Ministry Allocation fund the total was \$4,422,000 compared to \$6,849,000 in the prior year.

Offsetting that decrease were some increases in expenses compared to the prior year as follows:

- Church growth and development increased due to costs incurred to support several new additional parish properties and one parish under administration with major building repair issues. (\$397,000). As well the costs of a church plant for St Stephen, Maple are included but there is an MAF grant that offsets this cost in the Fees and Donations revenue line. (\$462,000)
- Corporate governance and support services increased primarily due to higher legal costs in 2017 required for one-time issues to be addressed. (\$84,000)
- Episcopal care and leadership increased due to the costs for Aboriginal ministry being moved from internal funds to the operating budget as it is expected to be ongoing.
- Included in the fund distributions and disbursements-other expense line is a potential payment to the government for HST in the amount of \$475,000. It is unclear at this time whether this amount will be required by CRA to be paid as a filing has been made under the voluntary disclosure program regarding the retroactive application of an election to 2009. The amount recorded is the highest possible balance owing.

Financial Position

Assets

Assets increased by \$9.6 million mainly due to an increase in the investments held (increase of \$12 million). The investment increase was offset by decreases in loans receivable of \$1.2 million and investments held by Our Faith-Our Hope of \$700,000.

Other items to note:

- *Accounts Receivable* – Parish receivables have increased from the prior year however the reason for the increase is mainly due to a decrease in the allowance for doubtful accounts. During the year progress was made with respect to having parishes on the overdue list agree to repayment plans and a debt forgiveness program was approved. Debt forgiveness is intended to allow churches that have been burdened by accumulated debt to be unburdened to focus on the future ministry of the parish and ensure a balanced financial position.

	201		2016	
	\$ Amount	# of Parishes	\$ Amount	# of Parishes
Current Balances	135,899	20	95,685	14
One month past due	51,156	7	66,855	7
Two months past due	90,915	4	91,051	6
Three months and greater	872,457	19	798,534	18
Total AR at Dec 31	1,150,427		1,047,656	
Allowance for Doubtful Accounts	(150,000)		(299,480)	
Per Financial Statements	1,000,427		743,707	

Of the 19 churches over 90 days 15 are on repayment plans and have been consistent in making payments. The remaining churches are in discussions on how to proceed and where there is concern about collectability the balances have been included in the allowance for doubtful accounts. Subsequent to year end, the balance for one parish not on a repayment plan was paid in full totaling \$25,000.

Loans Receivable – Loans decreased from 2016 due to 3 loans being paid in full and one loan being written off. There was approval for two new Ministry Allocation Fund loans during the year with one only having been partially paid out and the second not yet paid out at all.

	2017		2016	
	\$ Amount	# of Parishes	\$ Amount	# of Parishes
Synod Bank Loans	327,939	2	697,168	4
Rectory Loans	87,824	2	95,024	2
Church Development Loans	2,621,806	3	2,681,805	3
MAF Loans	1,752,360	8	2,745,953	9
Total Loans at Dec 31	4,789,929	15	6,219,950	19
Allowance for Doubtful Accounts	(100,445)		(344,135)	
Per financial Statements	4,689,484		5,875,815	

Properties Held for Sale – One property was sold in February 2017 and a second property was put up for sale in 2017 and it remains listed on the open market. Two properties remain available to sell at December 31, 2017 although not currently listed.

Liabilities

Liabilities increased from the prior year by \$8.3 million mainly due to an increase in parish investments held in the Consolidated Trust Fund (\$6.4 million). Additionally, payables increased by \$1.7 million due to property sale proceeds being held for a parish while they determined their investment options.

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 \$574,000 which was up a decrease from the 2016 result of \$766,000. While investment income increased and expenses were static there was a reduced gain in the capital value consistent with market results for the year. The overall annual return on the fund for 2017 was 5.8% compared to 7.8% in 2016.

Incorporated Synod of the Diocese of Toronto
December 31, 2017 Year End
Net Income Details for Restricted and Unrestricted Funds

Restricted Funds

	Faithworks	Our Faith - Our Hope	Bishops Company	Restricted Funds Held in CTF (note 1)	Leasing Income & Post retirement benefits	Internally Restricted	Total Restricted Income
Revenue	1,130,489	956,590	169,845	1,390,771	1,190,730	-	4,838,425
Expenses	1,177,910	1,816,299	149,699	(12,335)	539,100	243,553	3,914,226
Net Income (Loss)	(47,421)	(859,709)	20,146	1,403,106	1,126,630	(243,553)	924,199

Note 1 - Restricted Funds Held in the CTF include retirement allowances and benefits, discretionary funds and bequests.

Unrestricted Funds	Operating Budget (per internal monthly statements)	Invested Operating Fund (Note 2)	Total
Revenue	7,805,183	3,971,317	11,776,500
Gross Up for Revenue offsetting Expenses in Monthly reporting (Note 3)	1,501,075		1,501,075
Restricted Fund Transfers (Note 4)	-2,078,273		-2,078,273
Revenue per audited statements	7,227,985	3,971,317	11,199,302
Expenses	8,259,071	1,873,557	10,132,628
Gross Up for Revenue offsetting Expenses in Monthly reporting (Note 3)	1,501,075		1,501,075
Expenses per audited statements	9,760,146	1,873,557	11,633,703
Net Income	-2,532,161	2,097,760	-434,401

Note 2 - Invested Operating Fund consists of Diocesan Properties and Ministry Allocation Fund

Note 3 - For Internal presentation purposes cost recoveries for various departments are net against expenses. For external reporting the cost recoveries must be presented as revenue.

Note 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)

Operating Statement 2017

The Incorporated Synod of the Diocese of Toronto								
Income and Expenditures								
For Year ending December 31, 2017								
				% Variance	\$ Variance	% Variance	\$ Variance	
	Budget	Actual	Actual	Actual vs.	Actual vs.	Actual vs.	Actual vs.	Notes
	2017	YTD	Prev.YTD	Budget	Budget	Prior Year	Prior Year	
INCOME								
Income from Parishes - Allotment	5,770,000	5,751,378	5,761,582	-0.3%	(18,622)	-0.2%	(10,205)	
Interest on Capital Funds and Leases (Page 2)	1,848,000	1,733,636	1,786,507	-6.2%	(114,365)	-3.0%	(52,872)	1
Income from ADTF	320,000	320,000	260,000	0.0%	-	23.1%	60,000	
Fees and Donations	-	170	-	n/a	170	0.0%	170	
Total INCOME	7,938,000	7,805,183	7,808,090	-1.7%	(132,817)	0.0%	(2,906)	
EXPENDITURES								
Episcopal Care and Leadership	1,968,550	1,922,988	1,848,265	2.3%	45,562	-4.0%	(74,724)	
Church Growth and Development	1,777,950	2,048,137	1,677,224	-16.9%	(301,012)	-22.1%	(370,912)	2
Support for the Wider Church	1,581,892	1,559,604	1,609,515	1.4%	22,288	3.1%	49,911	
Corporate Governance and Support Services	1,569,010	1,580,476	1,444,422	-0.7%	(11,466)	-9.4%	(136,053)	3
Supporting Ordained and Lay Leaders	862,555	1,147,867	1,061,080	-33.1%	(285,312)	-8.2%	(86,787)	4
Compensation Adjustments	93,000	-	-	100.0%	93,000	0.0%	-	
Total EXPENDITURES	7,852,957	8,259,071	7,640,507	-5.6%	(406,114)	-8.1%	(618,565)	
Surplus (Deficit)	85,043	(453,888)	167,583	-633.7%	(538,931)			
Capital Budget	85,000	180,630	97,011	-112.5%	(95,630)	-86.2%	(83,619)	5
York Simcoe Area Church Planting Project (St. Stephen, Maple)	-	-	-	n/a	-			
Benefit from Capital	-	-	-	n/a	-			
Surplus / (Deficit)	43	(634,518)	70,572	-1547410.7%	(634,561)			

VARIANCE EXPLANATIONS

General Comments

The Diocesan operating budget ended the fiscal year with a deficit of \$454,000 compared to the budgeted expectation of breaking even. This result was not surprising due to the number of unusual items incurred during the year. The details of the larger variances from actual to budget are as follows:

Income Variances Favourable/(Unfavourable) (Overall unfavourable at \$132,000)

1. Interest on Capital Funds (\$114,000) - Historically York Rectors' Fund grants have been received to support curacy grants. In 2017 the curacy grant budget was increased so no request was made to this fund. An opportunity exists in 2018 to apply for funding for other upcoming projects.

Expenditure Variances - Favourable/(Unfavourable) (Budget Overall unfavourable at \$406,000 and Comparison to Prior year actual unfavourable at \$618,000)

2. Church Growth and Development - (Budget variance – (\$301,000) and Actual variance – (\$371,000))
During the year a parish experienced a potentially catastrophic situation with their building. The parish was put under Administration and the funding to support the mandatory structural work became part of the Property Support budget resulting in an over expenditure of \$414,000. This was an unfortunate situation where there were no other sources of funding available to support the work required. Starting in the 2018 budget the use of the new internally restricted fund to support property should reduce this type of situation impacting the operating budget.
3. Corporate Governance and Support (Actual variance – (\$136,000))
The primary reason for the higher costs in 2017 were legal fees required for one-time issues to be addressed.
4. Supporting Ordained and Lay Leaders -(Budget variance (\$285,000) and Actual variance (\$86,787)) - The relocation and retraining expense was over budget by \$300,000 and higher than the prior year by \$200,000). This expense encompasses costs for Canon 10 non-disciplinary terminations including transitions between appointments and there were a number of unforeseen issues that required funding.
5. Capital Budget– (\$95,000) – The intention was to budget for the roof to be replaced in 2018 however leakage on the top floor escalated the work to be completed in 2017. The total cost for the project was approximately \$110,000.