



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2018

DRAFT

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Independent Auditor's Report

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To the Members of
The Incorporated Synod of the Diocese of Toronto

Opinion

We have audited the financial statements of The Incorporated Synod of the Diocese of Toronto (the "Diocese"), which comprise the statement of financial position as at December 31, 2018, and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Incorporated Synod of the Diocese of Toronto as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Diocese in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Diocese's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Diocese or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Diocese's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Diocese's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Diocese's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Diocese to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada
June XX, 2019

Chartered Professional Accountants
Licensed Public Accountants

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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 2018	Total 2017
Assets						
Current						
Cash	\$ 3,013,081	\$ -	\$ 2,615,684	\$ -	\$ 5,628,765	\$ 4,149,206
Receivables - parishes	965,990	-	-	-	965,990	1,000,427
- loans (Note 3)	512,902	-	-	-	512,902	1,769,902
- other	385,027	-	-	-	385,027	628,862
Prepaid expenses	12,605	-	-	-	12,605	16,177
	4,889,605	-	2,615,684	-	7,505,289	7,564,574
Loans receivable (Note 3)	2,752,487	-	-	-	2,752,487	2,919,582
Investments in the Consolidated Trust Fund (Note 4)	99,355,869	-	17,140,799	26,393,129	142,889,797	155,270,722
Investments - other (Note 5)	-	-	5,667,717	-	5,667,717	8,223,565
Capital assets and properties (Notes 6a and 6b)	795,000	300,426	-	-	1,095,426	1,575,785
Other property (Note 7)	-	-	-	-	-	-
	<u>\$ 107,792,961</u>	<u>\$ 300,426</u>	<u>\$ 25,424,000</u>	<u>\$ 26,393,129</u>	<u>\$ 159,910,715</u>	<u>\$ 175,554,228</u>
Liabilities						
Current						
Distributions payable	\$ -	\$ -	\$ 1,128,891	\$ -	\$ 1,128,891	\$ 1,171,962
Accounts payable and accrued liabilities (Note 8)	3,579,546	-	475,000	-	4,054,546	5,424,058
	3,576,546	-	1,603,891	-	5,183,436	6,596,020
Deferred benefit liability (Note 9)	-	-	8,394,800	-	8,394,800	8,850,200
Parish Consolidated Trust Fund liabilities (Note 4)	70,390,473	-	-	-	70,390,473	75,900,115
	<u>73,970,019</u>	<u>-</u>	<u>9,998,691</u>	<u>-</u>	<u>83,968,710</u>	<u>91,346,335</u>
Fund balances						
Unrestricted	33,822,942	300,426	-	-	34,123,368	38,045,789
Internally restricted	-	-	14,858,644	63,788	14,922,432	17,661,925
Externally restricted	-	-	566,865	9,451,406	10,018,271	11,622,245
Endowment	-	-	-	16,877,934	16,877,934	16,877,934
	<u>33,822,942</u>	<u>300,426</u>	<u>15,425,509</u>	<u>26,393,129</u>	<u>75,942,005</u>	<u>84,207,893</u>
	<u>\$ 107,792,961</u>	<u>\$ 300,426</u>	<u>\$ 25,424,000</u>	<u>\$ 26,393,129</u>	<u>\$ 159,910,715</u>	<u>\$ 175,554,228</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 2018	Total 2017
Revenue						
Parishes	\$ 5,886,167	\$ -	\$ -	\$ -	\$ 5,886,167	\$ 5,751,378
Fees and donations	1,063,546	-	-	-	1,063,546	1,110,900
Donations – FaithWorks (Note 11a)	-	-	1,216,286	-	1,216,286	1,061,561
Donations – Our Faith – Our Hope Capital Campaign (Note 11b)	-	-	(615)	-	(615)	179,198
Investment income	1,230,851	-	114,376	1,056,475	2,401,702	3,754,907
Other income	397,380	-	1,675,860	-	2,073,240	1,725,143
	<u>8,577,944</u>	<u>-</u>	<u>3,005,907</u>	<u>1,056,475</u>	<u>12,640,326</u>	<u>13,583,087</u>
Expenses (Note 13)						
Church growth and development	2,285,401	-	412,138	-	2,697,539	3,567,127
Corporate governance and support services	2,252,002	-	-	-	2,252,002	1,878,782
Episcopal care and leadership	1,738,952	-	-	-	1,738,952	1,620,346
The Wider Church	1,643,363	-	-	-	1,643,363	1,620,854
Supporting ordained and lay leaders	1,044,858	-	-	-	1,044,858	1,738,317
Church and society	99,611	-	-	-	99,611	201,833
Campaign costs – FaithWorks (Note 11a)	-	-	173,197	-	173,197	148,093
Campaign costs - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	62,199	-	62,199	76,791
Fund distributions and disbursements – FaithWorks (Note 11a)	-	-	1,107,585	-	1,107,585	1,029,817
Fund distributions and disbursements - Our Faith - Our Hope Capital Campaign (Note 11b)	-	-	1,753,925	-	1,753,925	1,739,508
Amortization of capital assets	-	338,209	-	-	338,209	351,655
	<u>9,064,187</u>	<u>338,209</u>	<u>3,509,044</u>	<u>-</u>	<u>12,911,440</u>	<u>13,973,123</u>
Excess (deficiency) of revenue over expenses before other items	<u>(486,244)</u>	<u>(338,209)</u>	<u>(503,137)</u>	<u>1,056,475</u>	<u>(271,116)</u>	<u>(390,036)</u>
Other items						
Capital appreciation (depreciation)	(2,137,656)	-	(1,195,688)	(1,920,922)	(5,254,266)	3,402,523
Properties revenue (loss) (Note 6b)	(207,233)	-	-	-	(207,233)	1,306,854
Fund distributions and disbursements – other	(871,800)	-	(229,629)	(466,334)	(1,567,763)	(832,729)
Post Retirement	-	-	(65,100)	-	(65,100)	(64,100)
Parish support (Note 14)	(1,342,777)	-	-	-	(1,342,777)	(1,652,705)
	<u>(4,559,466)</u>	<u>-</u>	<u>(1,490,417)</u>	<u>(2,387,256)</u>	<u>(8,437,139)</u>	<u>2,159,843</u>
Excess (deficiency) of revenue over expenses	<u>\$ (5,045,710)</u>	<u>\$ (338,209)</u>	<u>\$ (1,993,555)</u>	<u>\$ (1,330,781)</u>	<u>\$ (8,708,255)</u>	<u>\$ 1,769,807</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 2018	Total 2017
			Internally Restricted Fund	Externally Restricted Fund			
Fund balances, beginning of year	\$ 37,445,004	\$ 600,785	\$ 17,952,969	\$ 661,564	\$ 27,907,571	\$ 84,207,893	\$ 82,899,286
Excess (deficiency) of revenue over expenses	(5,045,710)	(338,209)	(1,898,856)	(94,699)	(1,330,781)	(8,708,255)	1,769,807
Retirement benefits remeasurements and other items (Note 15)	-	-	520,500	-	-	520,500	(461,200)
Interfund transfers (Note 16)	1,423,648	37,850	(1,355,969)	-	(183,661)	(78,132)	-
Fund balances, end of year	<u>\$ 33,822,942</u>	<u>\$ 300,426</u>	<u>\$ 14,858,644</u>	<u>\$ 566,865</u>	<u>\$ 26,393,129</u>	<u>\$ 75,942,005</u>	<u>\$ 84,207,893</u>
Fund balances, end of year							
Unrestricted	\$ 33,822,942	\$ 300,426	\$ -	\$ -	\$ -	\$ 34,123,368	\$ 38,045,789
Internally restricted	-	-	14,858,644	-	63,788	14,922,432	17,661,925
Externally restricted	-	-	-	566,865	9,451,406	10,018,271	11,622,245
Endowment	-	-	-	-	16,877,934	16,877,934	16,877,934
	<u>\$ 33,822,942</u>	<u>\$ 300,426</u>	<u>\$ 14,858,644</u>	<u>\$ 566,865</u>	<u>\$ 26,393,129</u>	<u>\$ 75,942,005</u>	<u>\$ 84,207,893</u>

See accompanying notes to the financial statements

The Incorporated Synod of the Diocese of Toronto

Statement of Cash Flows

Year ended December 31

	Unrestricted Funds	Capital Asset Fund	Restricted Funds	Endowment Funds	Total 2018	Total 2017
Increase (decrease) in cash						
Operating activities						
Excess (deficiency) of revenue over expenses	\$ (5,045,710)	\$ (338,209)	\$ (1,993,555)	\$ (1,330,781)	\$ (8,708,255)	\$ 1,769,807
Add (deduct):						
Capital (appreciation) depreciation	2,137,656	-	1,195,688	1,920,922	5,254,266	(4,177,669)
Loss (gain) on properties held for sale	180,000	-	-	-	180,000	(75,000)
Non-cash portion of deferred benefit liability	-	-	478,800	-	478,800	468,400
Amortization of capital assets	-	338,209	-	-	338,209	351,655
	(2,728,054)	-	(319,067)	590,141	(2,456,980)	(887,661)
Change in non-cash working capital (Page 8)	(1,356,215)	-	225,476	-	(1,130,739)	947,900
	(4,084,269)	-	(93,591)	590,141	(3,587,719)	(714,907)
Financing activity						
Interfund transfers	1,423,648	37,850	(1,355,969)	(183,661)	(78,132)	-
Investing activities						
(Increase) decrease in loans receivable (net)	1,424,095	-	-	-	1,424,095	1,187,331
(Increase) decrease in investments (net)	2,305,091	-	2,274,254	(406,480)	4,172,865	(1,291,168)
Purchase of capital assets	-	(37,850)	-	-	(37,850)	(180,628)
Pension benefits paid (Note 9)	-	-	(413,700)	-	(413,700)	(404,300)
	3,729,186	(37,850)	1,860,554	(406,480)	5,145,410	(688,765)
Net change in cash	1,068,565	-	410,994	-	1,479,559	(628,526)
Cash, beginning of year	1,944,516	-	2,204,690	-	4,149,206	4,777,732
Cash, end of year	\$ 3,013,081	\$ -	\$ 2,615,684	\$ -	\$ 5,628,765	\$ 4,149,206
Additional cash flow information						
Remeasurements and other items	\$ -	\$ -	\$ (520,500)	\$ -	\$ (520,500)	\$ 461,200

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 2018	Total 2017
Change in non-cash working capital						
Parish and other receivables	\$ 5,821	\$ -	\$ 272,451	\$ -	\$ 278,272	\$ (376,096)
Prepaid expenses	3,572	-	-	-	3,572	7,105
Distributions payable	-	-	(43,071)	-	(43,071)	(291,041)
Accounts payable and accrued liabilities	(1,365,608)	-	(3,904)	-	(1,369,512)	1,607,932
	<u>\$ (1,356,215)</u>	<u>\$ -</u>	<u>\$ 225,476</u>	<u>\$ -</u>	<u>\$ (1,130,739)</u>	<u>\$ 947,900</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

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, 2018

2. Summary of significant accounting policies (continued)

Fund accounting

The activities of the Diocese are accounted for utilizing the concepts of restricted fund accounting.

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, 2018

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 less any amount due to a parish is recognized as a contribution to the Ministry Allocation Fund (Unrestricted Funds).

Where any parish disposes of surplus real property, fifty per cent (50%) of the proceeds of the sale shall be designated as the Diocesan share at the time of sale. This percentage may be altered with Diocesan Council approval. The Diocesan share from the disposition or the sale of any of the above is recognized as a contribution to the Ministry Allocation Fund.

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.

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 accounts 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, 2018

2. Summary of significant accounting policies (continued)

Investments

Investments are stated at fair value which has been determined by reference to the last bid price of these investments.

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, 2018

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, 2018

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>2018</u>	<u>2017</u>
Assets		
Cash	\$ 1,504,442	\$ 1,332,953
Interest receivable	135,844	211,203
Investments at fair value (Schedule 1)	<u>141,417,774</u>	<u>153,810,777</u>
	<u>143,058,060</u>	<u>155,354,933</u>
Liabilities		
Dividends payable	4,365,503	3,701,699
Due to the Diocese	(747,423)	963,904
Accrued liabilities	<u>168,263</u>	<u>84,211</u>
	<u>3,786,343</u>	<u>4,749,814</u>
Net assets	139,271,717	150,605,119
Elimination of liabilities (assets) related to the Diocese:		
Dividends payable to Diocese and Parishes	4,365,503	3,701,699
Due to (from) the Diocese	<u>(747,423)</u>	<u>963,904</u>
Adjusted net assets	<u>\$ 142,889,797</u>	<u>\$ 155,270,722</u>

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

	<u>2018</u>	<u>2017</u>
Diocese:		
Share of undistributed assets	\$ 69,066,167	\$ 74,833,996
Share of dividends payable	4,180,580	3,572,707
Due to (from) the Diocese	<u>(747,423)</u>	<u>963,904</u>
	<u>72,499,324</u>	<u>79,370,607</u>
Parishes (not available for Diocesan use):		
Share of undistributed assets	70,205,550	75,771,123
Share of dividends payable	<u>184,923</u>	<u>128,992</u>
	<u>70,390,473</u>	<u>75,900,115</u>
	<u>\$ 142,889,797</u>	<u>\$ 155,270,722</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

5. Investments - other

Investments are held as follows:

	<u>2018</u>	<u>2017</u>
Short-term investments	\$ 14,566	\$ 11,451
Bonds	1,212,953	1,707,063
Equities	<u>4,440,198</u>	<u>6,505,051</u>
	<u>\$ 5,667,717</u>	<u>\$ 8,223,565</u>

6. Capital assets and properties

a) Capital assets

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2018 Net Book Value</u>	<u>2017 Net Book Value</u>
Computer hardware	\$ 71,329	\$ 45,913	\$ 25,416	\$ 23,093
Computer software	10,145	9,133	1,012	4,060
Leasehold improvements	625,418	467,846	157,299	272,601
Diocesan centre renovations	1,746,065	1,746,065	-	174,607
Diocesan parking lot	<u>175,049</u>	<u>58,350</u>	<u>116,699</u>	<u>126,424</u>
	<u>\$ 2,627,733</u>	<u>\$ 2,327,307</u>	<u>\$ 300,426</u>	<u>\$ 600,785</u>

b) Properties

During the year, two former parish properties sold (revenue was recognized in 2017). These transactions resulted in net property revenue (loss) in the Unrestricted Funds of \$(207,233) (2017 - \$1,306,854 gain).

Properties are held as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 1,175,000	\$ 1,100,000
Add: properties approved for sale	195,000	3,125,000
Less: properties sold	<u>(375,000)</u>	<u>(3,050,000)</u>
	995,000	1,175,000
Less: allowance for valuation decrease	<u>(200,000)</u>	<u>(200,000)</u>
Balance, end of year	<u>\$ 795,000</u>	<u>\$ 975,000</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

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, 2018:

The Diocesan Centre located at 135 Adelaide Street East, Toronto *	\$ 5,225,367
315 Dundas Street East, Toronto	5,234,583
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 \$1,473,406 (2017 - \$1,190,730) has been recorded as other 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 \$557,033 (2017 - \$522,086).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

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>2018</u>	<u>2017</u>
Expense for the year	<u>\$ 65,100</u>	<u>\$ 64,100</u>
Accrued benefit obligation	<u>\$ 8,394,800</u>	<u>\$ 8,850,200</u>
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status before segregated restricted funds - plan deficit	<u>\$ 8,394,800</u>	<u>\$ 8,850,200</u>
Restricted funds segregated for retirement benefits	<u>\$ 12,007,476</u>	<u>\$ 12,550,003</u>
Other information:		
Benefits paid during the year	<u>\$ 413,700</u>	<u>\$ 404,300</u>

Significant actuarial assumptions are as follows:

Health care cost trend rates		
Health	7.3%	7.5%
Dental	4.5%	4.5%

A discount rate of 3.9% (2017 - 3.4%) was used to determine the deferred benefit liability as of December 31, 2018.

A full valuation of the post-retirement benefits was performed as of December 31, 2016.

Employee pension plan

General Synod and its employees make contributions to the General Synod Pension Plan (the "Plan"), a multi-employer defined benefit pension plan administered by the Board of Trustees of the Plan which covers certain dioceses and other church institutions. The most recent valuation for financial reporting purposes completed by the Plan as of December 31, 2017 disclosed net assets available for benefits of \$818 million with pension obligations of \$662 million, resulting in a surplus of \$156 million.

The Diocese's share of contributions made to the pension plan amounted to \$375,531 (2017 - \$393,169).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

10. Internally restricted funds

Internally restricted funds consist of the following:

Restricted Funds	<u>2018</u>	<u>2017</u>
Funds for retirement benefits	\$ 3,612,679	\$ 3,699,803
Funds for retirement allowances	3,848,727	4,059,379
Funds for other strategic purposes	1,143,361	1,239,909
Funds for Bishops Company	143,990	111,555
Funds for Our Faith Our Hope	<u>6,109,887</u>	<u>8,482,323</u>
	14,858,644	17,592,969
Endowment Funds		
Funds for other strategic purposes	<u>63,788</u>	<u>68,956</u>
	<u>\$ 14,922,432</u>	<u>\$ 17,661,925</u>

11. Restricted Funds

a) FaithWorks

FaithWorks activity during the year was as follows:

Revenue	<u>2018</u>	<u>2017</u>
Donations - Parishioners	\$ 681,864	\$ 569,993
- Other	359,082	336,072
- Corporate campaign	<u>175,340</u>	<u>155,496</u>
	1,216,286	1,061,561
Investment income	<u>7,562</u>	<u>68,928</u>
	<u>\$ 1,223,848</u>	<u>\$ 1,130,489</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

11. Restricted Funds (continued)

a) FaithWorks (continued)

	<u>2018</u>	<u>2017</u>
FaithWorks distributions:		
All Saints Church Community Centre	298,100	298,000
Flemingdon Park Ministries	195,000	195,000
Primates World Relief and Development Fund	144,444	100,000
The Dam	65,000	64,040
Anglican United Refugee Alliance	47,000	41,400
Samaritan House	43,900	38,900
David Busby Centre	39,400	34,400
Area grants	36,434	-
St. John, Peterborough Community Outreach	35,000	35,000
TUNM (Toronto Urban Native Ministry)	35,000	30,000
North House	30,483	25,483
Downsview Youth Covenant	31,000	31,000
Couchiching Jubilee House	26,310	26,190
Philip Aziz Centre	20,000	20,000
In From the Cold	20,000	-
LOFT Community Services	16,100	10,902
Orillia Christian Ministries	15,000	-
Other designated	4,792	485
The Bridge	4,622	62,900
Anglican Appeal	-	10,000
St. John, Lakefield After-School Program	-	5,000
Mission to Seafarers	-	1,117
	<u>1,107,585</u>	<u>1,029,817</u>
Campaign costs		
Staffing	97,779	92,807
Campaign materials	40,050	36,753
Design and artwork	11,641	-
Shipping and postage	8,507	8,412
Bank service charge	6,429	-
Website and marketing	5,975	4,136
Travel and meetings	1,420	50
Miscellaneous	1,226	-
Other	170	5,935
	<u>173,197</u>	<u>148,093</u>
Total distributions and campaign costs	<u>1,280,782</u>	<u>1,177,910</u>
Deficiency of revenue over distributions and campaign costs	<u>\$ (56,934)</u>	<u>\$ (47,421)</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

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>2018</u>	<u>2017</u>
Revenue		
Donations - Parishes	\$ 38,081	\$ 357,060
- Diocese	2,504	9,173
Less: Rebate to parishes	<u>(41,200)</u>	<u>(187,035)</u>
	(615)	179,198
Investment income	<u>(555,786)</u>	<u>777,392</u>
	<u>(556,400)</u>	<u>956,590</u>
Our Faith - Our Hope distributions:		
Leadership development	661,851	104,470
Communicating in a wireless world	556,998	167,770
Adaptive reuse of parish facilities	232,012	197,950
Enabling parishes to become multi-staffed	168,065	255,978
Pioneering ministry	135,000	363,340
Giving to others	<u>-</u>	<u>650,000</u>
	<u>1,753,925</u>	<u>1,739,508</u>
Campaign costs		
Staffing and consulting	48,227	49,729
Computer database	13,314	6,676
Service fees	399	7,140
Travel and meetings	169	-
Shipping and postage	90	735
Campaign materials	-	10,087
Office	<u>-</u>	<u>2,424</u>
	<u>62,199</u>	<u>76,791</u>
Total distributions and campaign costs	<u>1,816,125</u>	<u>1,816,299</u>
Deficiency of revenue over distributions and campaign costs	<u>\$ (2,372,525)</u>	<u>\$ (859,709)</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, 2018 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, 2018

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 \$488,879 (2017 - \$250,445) 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 accounts payable. 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.

Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Diocese's foreign currency purchase and sale transactions and its assets and liabilities that are denominated in foreign currencies are minimal.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

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 2018	Total 2017
Direct costs	\$ 1,632,157	\$ 1,181,509	\$ 376,341	\$ 1,643,363	\$ 800,536	\$ 12,885	\$ 5,646,791	\$ 5,946,379
Salaries and benefits	1,065,382	1,070,493	1,362,611	-	244,322	86,726	3,829,534	3,813,767
	<u>\$ 2,697,539</u>	<u>\$ 2,252,002</u>	<u>\$ 1,738,952</u>	<u>\$ 1,643,363</u>	<u>\$ 1,044,858</u>	<u>\$ 99,611</u>	<u>\$ 9,476,325</u>	<u>\$ 9,760,146</u>

Personnel costs are allocated based on the estimated time spent by staff on each functional area.

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>2018</u>	<u>2017</u>
<u>Ministry Grants</u>		
Anishnawbe Health Foundation	\$ 250,000	\$ -
Cathedral Church of St. James	-	41,200
Christ Memorial Church, Oshawa	14,500	14,500
Church of the Transfiguration	38,080	49,775
Grace Church in Scarborough	85,000	38,250
Mandarin Ministry	48,662	773
St. Aidan, Toronto	35,000	69,417
St. Bartholomew	-	50,000
St. Clement, Eglinton	18,951	87,253
St. Chad	-	86,547
St. George-on-Yonge	3,000	42,000
St. John, Bowmanville	48,974	48,054
St. John, York Mills	66,243	70,517
St. Mary Magdalene	12,244	20,750
St. Paul, L'Amoureux	-	29,484
St. Peter, Cobourg	-	23,250
St. Philip-on-the-Hill	168,390	50,900
St. Stephen-in-the-Fields	24,000	29,000
St. Stephen, Maple	146,351	134,586
St. Thomas, Huron	9,260	-
<u>Real Estate Grants</u>		
All Saints, Sherbourne	-	150,000
St. Stephen, Maple	213,603	262,149
<u>Other Grants</u>		
Refugee Sponsorship Grants	2,415	85,400
Reach Grants	45,486	28,900
Stretch Grants	-	10,000
Other	112,614	230,000
	<u>\$ 1,342,777</u>	<u>\$ 1,652,705</u>

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2018

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:

- \$1,355,969 from the Restricted Funds to the Unrestricted Funds primarily to support expenditures in operations;
 - \$183,661 from the Endowment Funds to the Unrestricted Funds primarily relating to endowments where income is to be used to support expenditures in operations; and
 - \$37,850 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:

2019	\$	114,487
2020		70,434
2021		46,415
2022		38,828
2023		30,000

18. Bank indebtedness

At December 31, 2018, the Diocese had an unsecured operating line of credit of \$2,000,000 (2017 - \$2,000,000), however, it has not been drawn upon (2017 - \$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

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>2018</u>	%	<u>2017</u>	%
Short-term deposits	\$ 4,243,003	3	\$ 3,818,331	2
Bonds	30,914,017	22	39,598,514	26
Stocks	100,996,555	71	106,364,310	69
Infrastructure	<u>5,264,199</u>	4	<u>4,029,622</u>	3
	<u>\$ 141,417,774</u>	100	<u>\$ 153,810,777</u>	100

Changes in Net Assets

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

	<u>2018</u>	<u>2017</u>
Net assets, beginning of year	\$ 150,605,119	\$ 140,232,868
Add: Contributions	4,852,905	6,517,346
Capital appreciation	(8,832,210)	9,696,782
Interest and dividends	4,843,090	3,511,518
Less: Withdrawals	(5,566,818)	(2,954,584)
Distributions	(5,900,239)	(5,702,116)
Expenses	<u>(730,130)</u>	<u>(696,695)</u>
Net assets, end of year	<u>\$ 139,271,717</u>	<u>\$ 150,605,119</u>
Number of units outstanding, end of year	626,860	629,354
Number of units owned by the Diocese	310,866	312,719
Number of units owned by parishes	315,994	316,635
Net assets, end of year, per unit	\$ 222.17	\$ 239.30
Distribution per unit	\$ 9.42	\$ 9.20
Net earnings	\$ (4,719,250)	\$ 12,511,605
Average number of units outstanding	628,107	621,684
Net (loss) gain per average unit	\$ (7.51)	\$ 20.13

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 \$9.42 (2017 - \$9.20) per unit, based upon a 4.25% distribution rate on investments on June 30, 2017 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.