



Financial Statements

The Incorporated Synod of the Diocese of Toronto

December 31, 2019

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Independent Auditor's Report

Grant Thornton LLP

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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, 2019, 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, 2019, 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 ("ASNPO").

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.

Grant Thornton LLP

Toronto, Canada
October 22, 2020

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 2019 | Total 2018 |
|---|-----------------------|-----------------------|----------------------|----------------------|-----------------------|-----------------------|
| Assets | | | | | | |
| Current | | | | | | |
| Cash | \$ 2,012,837 | \$ - | \$ 806,471 | \$ - | \$ 2,819,308 | \$ 5,628,765 |
| Receivables – parishes | 1,079,669 | - | - | - | 1,079,669 | 965,989 |
| – loans (Note 3) | 218,202 | - | 51,480 | - | 269,682 | 512,902 |
| – other | 650,479 | - | 8,335 | - | 658,814 | 385,027 |
| Prepaid expenses | - | - | - | - | - | 12,605 |
| | <u>3,961,187</u> | <u>-</u> | <u>866,286</u> | <u>-</u> | <u>4,827,473</u> | <u>7,505,288</u> |
| Loans receivable (Note 3) | 2,399,220 | - | 995,661 | - | 3,394,881 | 2,752,487 |
| Investments in the Consolidated Trust Fund (Note 4) | 111,072,820 | - | 19,095,777 | 28,862,874 | 159,031,471 | 142,889,797 |
| Investments - other (Note 5) | - | - | 6,388,258 | - | 6,388,258 | 5,667,717 |
| Capital assets and properties (Note 6) | 600,000 | 258,330 | 523,436 | - | 1,381,766 | 1,095,426 |
| Other property (Note 7) | - | - | - | - | - | - |
| | <u>\$ 118,033,227</u> | <u>\$ 258,330</u> | <u>\$ 27,869,418</u> | <u>\$ 28,862,874</u> | <u>\$ 175,023,849</u> | <u>\$ 159,910,715</u> |
| Liabilities | | | | | | |
| Current | | | | | | |
| Accounts payable and accrued liabilities (Note 8) | \$ 3,780,168 | \$ - | \$ 475,000 | \$ - | \$ 4,255,168 | \$ 4,054,545 |
| Distributions payable | - | - | 1,107,625 | - | 1,107,625 | 1,128,891 |
| | <u>3,780,168</u> | <u>-</u> | <u>1,582,625</u> | <u>-</u> | <u>5,362,793</u> | <u>5,183,436</u> |
| Deferred benefit liability (Note 9) | - | - | 9,677,900 | - | 9,677,900 | 8,394,800 |
| Parish Consolidated Trust Fund liabilities (Note 4) | <u>77,517,097</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>77,517,097</u> | <u>70,390,473</u> |
| | <u>81,297,265</u> | <u>-</u> | <u>11,260,525</u> | <u>-</u> | <u>92,557,790</u> | <u>83,968,709</u> |
| Fund balances | | | | | | |
| Unrestricted | 36,735,962 | 258,330 | - | - | 36,994,292 | 34,123,368 |
| Internally restricted | - | - | 15,980,417 | 70,154 | 16,050,571 | 14,922,433 |
| Externally restricted | - | - | 628,476 | 11,914,786 | 12,543,262 | 10,018,271 |
| Endowment | - | - | - | 16,877,934 | 16,877,934 | 16,877,934 |
| | <u>36,735,962</u> | <u>258,330</u> | <u>16,608,893</u> | <u>28,862,874</u> | <u>82,466,059</u> | <u>75,942,006</u> |
| | <u>\$ 118,033,227</u> | <u>\$ 258,330</u> | <u>\$ 27,869,418</u> | <u>\$ 28,862,874</u> | <u>\$ 175,023,849</u> | <u>\$ 159,910,715</u> |

Commitments (Note 17)

Subsequent event (Note 19)

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 2019 | Total 2018 |
|---|-----------------------|-----------------------|---------------------|---------------------|---------------------|-----------------------|
| Revenue | | | | | | |
| Parishes | \$ 6,026,524 | \$ - | \$ - | \$ - | \$ 6,026,524 | \$ 5,886,167 |
| Fees and donations (Note 6c) | 898,460 | - | 1,710,100 | - | 2,608,560 | 1,063,546 |
| Donations - Faithworks (Note 11a) | - | - | 1,104,762 | - | 1,104,762 | 1,216,286 |
| Donations - Our Faith Our Hope Capital Campaign (Note 11b) | - | - | (32,997) | - | (32,997) | (615) |
| Investment income | 1,286,973 | - | 1,440,894 | 1,093,483 | 3,821,350 | 2,401,702 |
| Other income | 477,765 | - | 1,594,231 | - | 2,071,996 | 2,073,240 |
| | <u>8,689,722</u> | <u>-</u> | <u>5,816,990</u> | <u>1,093,483</u> | <u>15,600,195</u> | <u>12,640,326</u> |
| Expenses (Note 13) | | | | | | |
| Church growth and development | 2,486,197 | - | 176,775 | - | 2,662,972 | 2,697,541 |
| Corporate governance and support services | 2,640,407 | - | - | - | 2,640,407 | 2,252,002 |
| Episcopal care and leadership | 1,599,035 | - | - | - | 1,599,035 | 1,738,952 |
| The Wider Church | 1,727,926 | - | - | - | 1,727,926 | 1,643,363 |
| Supporting ordained and lay leaders | 1,221,041 | - | - | - | 1,221,041 | 1,044,858 |
| Church and society | 127,835 | - | - | - | 127,835 | 99,611 |
| Campaign costs - Faithworks (Note 11a) | - | - | 106,852 | - | 106,852 | 173,197 |
| Campaign costs - Our Faith Our Hope Capital Campaign (Note 11b) | - | - | 2,811 | - | 2,811 | 62,199 |
| Fund disbursements - Faithworks (Note 11a) | - | - | 1,057,079 | - | 1,057,079 | 1,107,585 |
| Fund disbursements - Our Faith Our Hope Capital Campaign (Note 11b) | - | - | 1,540,014 | - | 1,540,014 | 1,753,925 |
| Amortization of capital assets | - | 134,127 | - | - | 134,127 | 338,209 |
| | <u>9,802,441</u> | <u>134,127</u> | <u>2,883,531</u> | <u>-</u> | <u>12,820,099</u> | <u>12,911,442</u> |
| Excess (deficiency) of revenue over expenses before other items | <u>(1,112,719)</u> | <u>(134,127)</u> | <u>2,933,459</u> | <u>1,093,483</u> | <u>2,780,096</u> | <u>(271,116)</u> |
| Capital appreciation (depreciation) | 2,303,944 | - | 1,523,404 | 2,369,693 | 6,197,041 | (5,254,266) |
| Property revenue (loss) (Note 6b) | 506,928 | - | - | - | 506,928 | (207,233) |
| Fund disbursements - other | (23,968) | - | (3,383) | (806,171) | (833,522) | (1,567,763) |
| Post retirement | - | - | (107,300) | - | (107,300) | (65,100) |
| Parish support (Note 14) | (843,390) | - | - | - | (843,390) | (1,342,777) |
| | <u>1,943,514</u> | <u>-</u> | <u>1,412,721</u> | <u>1,563,522</u> | <u>4,919,757</u> | <u>(8,437,139)</u> |
| Excess (deficiency) of revenue over expenses | <u>\$ 830,795</u> | <u>\$ (134,127)</u> | <u>\$ 4,346,180</u> | <u>\$ 2,657,005</u> | <u>\$ 7,699,853</u> | <u>\$ (8,708,255)</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 2019 | Total 2018 |
|---|-----------------------|-----------------------|-------------------------------|-------------------------------|----------------------|----------------------|----------------------|
| | | | Internally Restricted Fund | Externally Restricted Fund | | | |
| Fund balances, beginning of year | \$ 33,822,942 | \$ 300,426 | \$ 14,858,644 | \$ 566,865 | \$ 26,393,129 | \$ 75,942,006 | \$ 84,207,893 |
| Excess (deficiency) of revenue over expenses | 830,795 | (134,127) | 4,284,569 | 61,611 | 2,657,005 | 7,699,853 | (8,708,255) |
| Retirement benefits remeasurements and other items (Note 15) | - | - | (1,175,800) | - | - | (1,175,800) | 520,500 |
| Interfund transfers (Note 16) | 2,082,225 | 92,031 | (1,986,996) | - | (187,260) | - | (78,132) |
| Fund balances, end of year | <u>\$ 36,735,962</u> | <u>\$ 258,330</u> | <u>\$ 15,980,417</u> | <u>\$ 628,476</u> | <u>\$ 28,862,874</u> | <u>\$ 82,466,059</u> | <u>\$ 75,942,006</u> |
| Fund balances, end of year | | | | | | | |
| Unrestricted | \$ 36,735,962 | \$ 258,330 | \$ - | \$ - | \$ - | \$ 36,994,292 | \$ 34,123,368 |
| Internally restricted | - | - | 15,980,417 | - | 70,154 | 16,050,571 | 14,922,433 |
| Externally restricted | - | - | - | 628,476 | 11,914,786 | 12,543,262 | 10,018,271 |
| Endowment | - | - | - | - | 16,877,934 | 16,877,934 | 16,877,934 |
| | <u>\$ 36,735,962</u> | <u>\$ 258,330</u> | <u>\$ 15,980,417</u> | <u>\$ 628,476</u> | <u>\$ 28,862,874</u> | <u>\$ 82,466,059</u> | <u>\$ 75,942,006</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 2019 | Total 2018 |
|--|-----------------------|-----------------------|---------------------|--------------------|-----------------------|---------------------|
| Increase (decrease) in cash | | | | | | |
| Operating activities | | | | | | |
| Excess (deficiency) of revenue over expenses | \$ 830,795 | \$ (134,127) | \$ 4,346,180 | \$ 2,657,005 | \$ 7,699,853 | \$ (8,708,255) |
| Add (deduct): | | | | | | |
| Capital (appreciation) depreciation | (2,303,944) | - | (1,523,404) | (2,369,693) | (6,197,041) | 5,254,266 |
| Non-cash portion of deferred benefit liability | - | - | 485,100 | - | 485,100 | 478,800 |
| Amortization of capital assets | - | 134,127 | - | - | 134,127 | 338,209 |
| | <u>(1,473,149)</u> | <u>-</u> | <u>3,307,876</u> | <u>287,312</u> | <u>2,122,039</u> | <u>(2,636,980)</u> |
| Change in non-cash working capital (Page 7) | <u>(165,904)</u> | <u>-</u> | <u>(29,601)</u> | <u>-</u> | <u>(195,505)</u> | <u>(1,130,739)</u> |
| | <u>(1,639,053)</u> | <u>-</u> | <u>3,278,275</u> | <u>287,312</u> | <u>1,926,534</u> | <u>(3,767,719)</u> |
| Financing activity | | | | | | |
| Interfund transfers | <u>2,082,225</u> | <u>92,031</u> | <u>(1,986,996)</u> | <u>(187,260)</u> | <u>-</u> | <u>(78,132)</u> |
| Investing activities | | | | | | |
| (Increase) decrease in investments (net) | (2,286,383) | - | (1,152,115) | (100,052) | (3,538,550) | 4,172,865 |
| Decrease (increase) in loans receivable (net) | 647,967 | - | (1,047,141) | - | (399,174) | 1,424,095 |
| Purchase of capital assets | - | (92,031) | (523,436) | - | (615,467) | (37,850) |
| Sale of assets held for sale | 195,000 | - | - | - | 195,000 | 180,000 |
| Pension benefits paid (Note 9) | - | - | (377,800) | - | (377,800) | (413,700) |
| | <u>(1,443,416)</u> | <u>(92,031)</u> | <u>(3,100,492)</u> | <u>(100,052)</u> | <u>(4,735,991)</u> | <u>5,325,410</u> |
| Net increase in cash | (1,000,244) | - | (1,809,213) | - | (2,809,457) | 1,479,559 |
| Cash, beginning of year | <u>3,013,081</u> | <u>-</u> | <u>2,615,684</u> | <u>-</u> | <u>5,628,765</u> | <u>4,149,206</u> |
| Cash, end of year | <u>\$ 2,012,837</u> | <u>\$ -</u> | <u>\$ 806,471</u> | <u>\$ -</u> | <u>\$ 2,819,308</u> | <u>\$ 5,628,765</u> |

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 2019 | Total 2018 |
|------------------------------------|-----------------------|-----------------------|---------------------|--------------------|-----------------------|-----------------------|
| Change in non-cash working capital | | | | | | |
| Parish and other receivables | \$ (379,132) | \$ - | \$ (8,335) | \$ - | \$ (387,467) | \$ 278,272 |
| Prepaid expenses | 12,605 | - | - | - | 12,605 | 3,572 |
| Payables and accruals | 200,623 | - | - | - | 200,623 | (1,369,512) |
| Distributions payable | - | - | (21,266) | - | (21,266) | (43,071) |
| | <u>\$ (165,904)</u> | <u>\$ -</u> | <u>\$ (29,601)</u> | <u>\$ -</u> | <u>\$ (195,505)</u> | <u>\$ (1,130,739)</u> |
| Additional cash flow information | | | | | | |
| Remeasurements and other items | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,175,800</u> | <u>\$ -</u> | <u>\$ 1,175,800</u> | <u>\$ (520,500)</u> |

+ Andrew Toronto

Rt. Rev. Andrew Asbil

Robert Saffrey - Executive Director

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

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 (“ADTF”) 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 (“ASNPO”). ASNPO are part of Canadian generally accepted accounting principles.

ASNPO 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 or The Anglican Diocese of Toronto Foundation. Financial statements are prepared for The Cemetery Fund and The Anglican Diocese of Toronto Foundation separately as they are separate entities. 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, 2019

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, 2019

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, parishes, loan and other receivables, investments, accounts payable and distributions payable.

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 investments in equities, which are measured at fair value.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

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 |
| Diocesan house | - over 20 years, straight-line |

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, 2019

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.

Adoption of new accounting standards

On January 1, 2019, the Diocese adopted new accounting standards Section 4433 Tangible capital assets held by not-for-profit organizations and Section 4434 Intangible assets held by not-for-profit organizations (the "standards"). The most significant requirements include:

- tangible capital assets must be separated into their component parts, when practicable, and when estimates can be made of the lives of the separate components;
- tangible capital assets and intangible assets are written down to fair value or replacement cost to reflect partial impairments when conditions indicate that the assets no longer contribute to an organization's ability to provide goods and services, or that the value of future economic benefits or service potential associated with the tangible capital assets are less than their net carrying amounts; and
- additional disclosures when an impairment has occurred.

The adoption of the new accounting standards was applied prospectively, except the Diocese was permitted to recognize an adjustment to opening net assets at January 1, 2019 to reflect partial impairments of tangible and intangible assets existing at that date. The adoption of these standards did not have any impact on the statement of financial position as at January 1, 2019 and the changes in financial position for the current period.

3. Loans receivable

Loans receivable included relate to loans to related parties, primarily parishes bearing interest from zero to the prime rate of interest and having terms of repayment varying from on demand to periods not exceeding twenty-five 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, 2019

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>2019</u> | <u>2018</u> |
|--|-----------------------|-----------------------|
| Assets | | |
| Cash | \$ 672,577 | \$ 1,504,442 |
| Interest receivable | 103,251 | 135,844 |
| Investments at fair value (Schedule 1) | <u>158,628,930</u> | <u>141,417,774</u> |
| | <u>159,404,758</u> | <u>143,058,060</u> |
| Liabilities | | |
| Dividends payable | 4,689,503 | 4,365,503 |
| Due to the Diocese | 180,313 | (747,423) |
| Accrued liabilities | <u>373,287</u> | <u>168,263</u> |
| | <u>5,243,103</u> | <u>3,786,343</u> |
| Net assets | 154,161,655 | 139,271,717 |
| Elimination of liabilities (assets) related to the Diocese: | | |
| Dividends payable to Diocese and Parishes | 4,689,503 | 4,365,503 |
| Due to (from) the Diocese | <u>180,313</u> | <u>(747,423)</u> |
| | <u>4,869,816</u> | <u>3,618,080</u> |
| Adjusted net assets | \$ 159,031,471 | \$ 142,889,797 |

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

| | <u>2019</u> | <u>2018</u> |
|---|-----------------------|-----------------------|
| Diocese: | | |
| Share of undistributed assets | \$ 76,775,746 | \$ 69,066,167 |
| Share of dividends payable | 4,558,315 | 4,180,580 |
| Due to (from) the Diocese | <u>180,313</u> | <u>(747,423)</u> |
| | <u>81,514,374</u> | <u>72,499,324</u> |
| Parishes (not available for Diocesan use): | | |
| Share of undistributed assets | 77,385,910 | 70,205,550 |
| Share of dividends payable | <u>131,187</u> | <u>184,923</u> |
| | <u>77,517,097</u> | <u>70,390,473</u> |
| | \$ 159,031,471 | \$ 142,889,797 |

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

5. Investments - other

Investments are held as follows:

| | <u>2019</u> | <u>2018</u> |
|------------------------|---------------------|---------------------|
| Short-term investments | \$ 144,316 | \$ 14,566 |
| Bonds | 1,319,891 | 1,212,953 |
| Equities | <u>4,924,051</u> | <u>4,440,198</u> |
| | <u>\$ 6,388,258</u> | <u>\$ 5,667,717</u> |

Short-term investments are intended to be invested for the long-term and thus have been presented as long-term.

6. Capital assets and properties

a) Capital assets

| | <u>Cost</u> | <u>Accumulated Amortization</u> | <u>2019 Net Book Value</u> | <u>2018 Net Book Value</u> |
|-----------------------------|---------------------|-------------------------------------|------------------------------------|------------------------------------|
| Computer hardware | \$ 119,041 | \$ 78,533 | \$ 40,508 | \$ 25,416 |
| Computer software | 19,036 | 14,591 | 4,445 | 1,012 |
| Leasehold improvements | 660,573 | 554,170 | 106,403 | 157,299 |
| Diocesan centre renovations | 1,746,065 | 1,746,065 | - | - |
| Diocesan parking lot | <u>175,049</u> | <u>68,075</u> | <u>106,974</u> | <u>116,699</u> |
| | <u>\$ 2,719,764</u> | <u>\$ 2,461,434</u> | <u>\$ 258,330</u> | <u>\$ 300,426</u> |

b) Properties

During the year, two former parish properties were sold (one property's revenue was recognized in 2018). These transactions resulted in net property revenue in the Unrestricted Funds of \$506,928 (2018 - \$207,233 loss).

Properties are held as follows:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Balance, beginning of year | \$ 995,000 | \$ 1,175,000 |
| Add: properties purchased | - | 195,000 |
| Less: properties sold | <u>(195,000)</u> | <u>(375,000)</u> |
| | <u>800,000</u> | 995,000 |
| Less: allowance for valuation decrease | <u>(200,000)</u> | <u>(200,000)</u> |
| Balance, end of year | <u>\$ 600,000</u> | <u>\$ 795,000</u> |

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

6. Capital assets and properties (continued)

c) Restricted properties

| | <u>Cost</u> | <u>Accumulated Amortization</u> | 2019 Net Book Value | 2018 Net Book Value |
|----------------|-------------|-------------------------------------|------------------------------------|---------------------------|
| Diocesan house | \$ 523,436 | \$ - | \$ 523,436 | \$ - |

During the year, this property was purchased as a See House for the Diocese. A contribution of \$1,700,000 from the Anglican Diocese of Toronto Foundation was received in order assist in funding the purchase of the See House. The above represents the portion of the property owned by the Diocese.

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, 2019:

| | |
|--|--------------|
| The Diocesan Centre located at 135 Adelaide Street East, Toronto * | \$ 5,521,289 |
| 315 Dundas Street East, Toronto | 5,508,908 |
| 323 Dundas Street East, Toronto | 2,249,400 |
| 327 Dundas Street East, Toronto | 1,301,350 |

* 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 \$1,444,051 (2018 - \$1,473,406) 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.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

7. Other property (continued)

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
- 1513 Dixie Road, Mississauga
- 1506 Larchview Trail, Mississauga

8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances of \$478,262 (2018 - \$557,033).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

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>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| Expense for the year | <u>\$ 107,300</u> | <u>\$ 65,100</u> |
| Accrued benefit obligation | <u>\$ 9,677,900</u> | <u>\$ 8,394,800</u> |
| Market value of plan assets | <u>-</u> | <u>-</u> |
| Funded status before segregated restricted funds - plan deficit | <u>\$ 9,677,900</u> | <u>\$ 8,394,800</u> |
| Restricted funds segregated for retirement benefits | <u>\$ 13,497,369</u> | <u>\$ 12,007,476</u> |
| Other information: | | |
| Benefits paid during the year | <u>\$ 377,800</u> | <u>\$ 413,700</u> |

Significant actuarial assumptions are as follows:

| | | |
|------------------------------|------|------|
| Health care cost trend rates | | |
| Health | 7.3% | 7.3% |
| Dental | 4.5% | 4.5% |

A discount rate of 3.1% (2018 - 3.9%) was used to determine the deferred benefit liability as of December 31, 2019.

A full valuation of the post-retirement benefits was performed as of December 31, 2018.

Employee pension plan

The Diocese of Toronto 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 next valuation as of December 31, 2019 is expected to be completed in the fourth quarter of 2020.

The Diocese's share of contributions made to the pension plan amounted to \$380,339 (2018 - \$375,531).

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

10. Internally restricted funds

Internally restricted funds consist of the following:

| <u>Restricted Funds</u> | <u>2019</u> | <u>2018</u> |
|------------------------------------|----------------------|----------------------|
| Funds for retirement benefits | \$ 3,819,469 | \$ 3,612,679 |
| Funds for retirement allowances | 4,185,399 | 3,848,727 |
| Funds for other strategic purposes | 2,378,281 | 1,143,361 |
| Funds for Bishops Company | 177,780 | 143,990 |
| Funds for Our Faith Our Hope | <u>5,773,303</u> | <u>6,109,887</u> |
| | 16,334,232 | 14,858,644 |
| <u>Endowment Funds</u> | | |
| Funds for other strategic purposes | <u>70,153</u> | <u>63,788</u> |
| | \$ 16,404,385 | \$ 14,922,432 |

11. Restricted Funds

a) FaithWorks

FaithWorks activity during the year was as follows:

| | <u>2019</u> | <u>2018</u> |
|--------------------------|---------------------|---------------------|
| Revenue | | |
| Donations - Parishioners | \$ 545,045 | \$ 681,864 |
| - Other | 419,526 | 359,082 |
| - Corporate campaign | <u>140,191</u> | <u>175,340</u> |
| | 1,104,762 | 1,216,286 |
| Investment income | <u>8,395</u> | <u>7,562</u> |
| | \$ 1,113,157 | \$ 1,223,848 |

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

11. Restricted Funds (continued)

a) FaithWorks (continued)

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| FaithWorks distributions: | | |
| Flemingdon Park Ministries | \$ 165,000 | \$ 195,000 |
| Primates World Relief and Development Fund | 134,444 | 144,444 |
| The Dam | 65,000 | 65,000 |
| Anglican United Refugee Alliance | 47,000 | 47,000 |
| Samaritan House | 38,900 | 43,900 |
| David Busby Centre | 34,400 | 39,400 |
| The Warming Room Community Ministry | 35,000 | 35,000 |
| TUNM (Toronto Urban Native Ministry) | 30,000 | 35,000 |
| Couchiching Jubilee House | 26,310 | 26,310 |
| Downsview Youth Covenant | 26,000 | 31,000 |
| North House | 25,483 | 30,483 |
| Philip Aziz Centre | 20,000 | 20,000 |
| In From the Cold | 20,000 | 20,000 |
| Orillia Christian Ministries | 15,000 | 15,000 |
| Giving with Grace (formerly Anglican Appeal) | 10,000 | - |
| All Saints Church Community Centre | 298,100 | 298,100 |
| The Bridge | 4,622 | 4,622 |
| Area grants | 38,235 | 36,434 |
| LOFT Community Services | 16,100 | 16,100 |
| Other designated | 7,485 | 4,792 |
| | <u>1,057,079</u> | <u>1,107,585</u> |
| Campaign costs | | |
| Staffing | 23,698 | 97,779 |
| Campaign materials | 60,839 | 40,050 |
| Design and artwork | 364 | 11,641 |
| Shipping and postage | 103 | 8,507 |
| Bank service charge | 4,570 | 6,429 |
| Website and marketing | 656 | 5,975 |
| Travel and meetings | 1,952 | 1,420 |
| Miscellaneous | 7,025 | 1,226 |
| Other | 7,645 | 170 |
| | <u>106,852</u> | <u>173,197</u> |
| Total distributions and campaign costs | <u>1,163,931</u> | <u>1,280,782</u> |
| Excess (deficiency) of revenue over distributions and campaign costs | <u>\$ (50,774)</u> | <u>\$ (56,934)</u> |

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

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>2019</u> | <u>2018</u> |
|--|----------------------------|------------------------------|
| Revenue | | |
| Donations - Parishes | \$ 17,982 | \$ 38,081 |
| - Diocese | 7,533 | 2,504 |
| Less: Rebate to parishes | <u>(58,512)</u> | <u>(41,200)</u> |
| | (32,997) | (615) |
| Investment income | <u>720,635</u> | <u>(555,786)</u> |
| | <u>687,638</u> | <u>(556,401)</u> |
| Our Faith Our Hope distributions: | | |
| Adaptive reuse of parish facilities | 747,607 | 232,012 |
| Enabling parishes to become multi-staffed | 450,849 | 168,065 |
| Leadership development | 132,478 | 661,850 |
| Communicating in a wireless world | 109,080 | 556,998 |
| Giving to others | 100,000 | - |
| Pioneering ministry | <u>-</u> | <u>135,000</u> |
| | <u>1,540,014</u> | <u>1,753,925</u> |
| Campaign costs | | |
| Computer database | 2,811 | 13,314 |
| Staffing and consulting | - | 48,227 |
| Service fees | - | 399 |
| Travel and meetings | - | 169 |
| Shipping and postage | <u>-</u> | <u>90</u> |
| | <u>2,811</u> | <u>62,199</u> |
| Total distributions and campaign costs | <u>1,542,825</u> | <u>1,816,124</u> |
| Deficiency of revenue over distributions and campaign costs | <u>\$ (855,187)</u> | <u>\$ (2,372,525)</u> |

The campaign costs incurred from the inception of the Our Faith Our Hope Fund Capital campaign in 2010 of \$6,342,693 have generated donations and pledges of \$33,402,639.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

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 parishes, loans and other receivables and investments in fixed income securities. The Diocese maintains a provision for potential losses of \$761,593 (2018 - \$488,879) 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, 2019

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 2019 | Total 2018 |
|--------------------------|-------------------------------------|---|-------------------------------------|------------------------|--|--------------------------|---------------------|---------------------|
| Direct costs | \$ 1,244,581 | \$ 1,462,562 | \$ 291,100 | \$ 1,727,926 | \$ 1,106,477 | \$ 37,153 | \$ 5,869,799 | \$ 5,646,791 |
| Salaries and Benefits | <u>1,418,391</u> | <u>1,177,845</u> | <u>1,307,935</u> | - | <u>114,564</u> | <u>90,682</u> | <u>4,109,417</u> | <u>3,829,534</u> |
| | <u>\$ 2,662,972</u> | <u>\$ 2,640,407</u> | <u>\$ 1,599,035</u> | <u>\$ 1,727,926</u> | <u>\$ 1,221,041</u> | <u>\$ 127,835</u> | <u>\$ 9,979,216</u> | <u>\$ 9,476,325</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>2019</u> | <u>2018</u> |
|------------------------------------|-------------------|---------------------|
| <u>Ministry Grants</u> | | |
| Anishnawbe Health Foundation | \$ - | \$ 250,000 |
| Christ Memorial Church, Oshawa | 14,500 | 14,500 |
| Church of the Transfiguration | 52,777 | 38,080 |
| Grace Church in Scarborough | 70,000 | 85,000 |
| Mandarin Ministry | 121,023 | 48,662 |
| St. Aidan, Toronto | 45,000 | 35,000 |
| St. Bartholomew | 50,000 | - |
| St. Clement, Eglinton | - | 18,951 |
| St. George Memorial Church, Oshawa | 42,000 | - |
| St. George-on-Yonge | 3,000 | 3,000 |
| St. John, Bowmanville | 49,568 | 48,974 |
| St. John, York Mills | 40,000 | 66,243 |
| St. Mary Magdalene | - | 12,244 |
| St. Martin in-the-Fields | 2,500 | - |
| St. Philip-on-the-Hill | 61,563 | 168,390 |
| St. Stephen-in-the-Fields | 19,000 | 24,000 |
| St. Stephen, Maple | 134,786 | 146,351 |
| St. Thomas, Huron | - | 9,260 |
| Meadowvale West Church Centre | 27,000 | - |
| <u>Real Estate Grants</u> | | |
| St. Stephen, Maple | - | 213,603 |
| <u>Other Grants</u> | | |
| Refugee Sponsorship Grants | 16,000 | 2,415 |
| Reach Grants | 55,300 | 45,486 |
| Stretch Grants | 10,000 | - |
| Other | 29,373 | 112,618 |
| | <u>\$ 843,390</u> | <u>\$ 1,342,777</u> |

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

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:

- \$1,986,996 from the Restricted Funds to the Unrestricted Funds primarily to support expenditures in operations;
 - \$187,260 from the Endowment Funds to the Unrestricted Funds primarily relating to endowments where income is to be used to support expenditures in operations; and
 - \$92,031 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:

| | | |
|------|----|---------|
| 2020 | \$ | 126,380 |
| 2021 | | 102,748 |
| 2022 | | 64,914 |
| 2023 | | 33,134 |
| 2024 | | 33,134 |

18. Bank indebtedness

At December 31, 2019, the Diocese had an unsecured operating line of credit of \$2,000,000 (2018 - \$2,000,000), however, it has not been drawn upon (2018 - \$Nil). Interest on funds drawn on the line is calculated at the prime rate of interest as determined by the Diocese's bank.

The Incorporated Synod of the Diocese of Toronto

Notes to the Financial Statements

December 31, 2019

19. Subsequent event

Since January 1, 2020, the spread of Covid-19 has severely impacted many local economies around the globe. In many countries, including Canada, organizations and businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to organizations worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Diocese has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the Covid-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Fund for future periods.

As a result of the Covid-19 pandemic, the Diocese closed its office and all churches on March 16, 2020. The Diocese has provided financial assistance to parishes during the pandemic in the form of relief from clergy costs and Diocesan allotment charges for the months of April, May, and June of \$3.7M although it is anticipating a decline in revenue from its rentals of approximately \$1M. Diocesan leadership has been monitoring its operations closely, including the operations of its parishes, and is committed to ensure the sustainability of the Diocese. While investments have been impacted by stock market volatility during the initial month of the pandemic, the investments continue to show a steady increase in value since the end of March.

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>2019</u> | % | <u>2018</u> | % |
|---------------------|------------------------------|------------|------------------------------|------------|
| Short-term deposits | \$ 3,725,157 | 2 | \$ 4,243,003 | 3 |
| Bonds | 28,389,534 | 18 | 30,914,017 | 22 |
| Stocks | 115,703,895 | 73 | 100,996,555 | 71 |
| Infrastructure | <u>10,810,344</u> | <u>7</u> | <u>5,264,199</u> | <u>4</u> |
| | <u>\$ 158,628,930</u> | 100 | <u>\$ 141,417,774</u> | 100 |

Changes in Net Assets

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

| | <u>2019</u> | <u>2018</u> |
|--|------------------------------|------------------------------|
| Net assets, beginning of year | \$ 139,271,718 | \$ 150,605,120 |
| Add: Contributions | 3,253,656 | 4,852,905 |
| Capital appreciation (depreciation) | 15,587,997 | (8,832,210) |
| Interest and dividends | 4,680,288 | 4,843,090 |
| Less: Withdrawals | (1,723,681) | (5,566,818) |
| Distributions | (6,148,420) | (5,900,239) |
| Expenses | <u>(759,893)</u> | <u>(730,130)</u> |
| Net assets, end of the year | <u>\$ 154,161,665</u> | <u>\$ 139,271,718</u> |
| Number of units outstanding, end of year | 633,347 | 626,860 |
| Number of units owned by the Diocese | 315,397 | 310,866 |
| Number of units owned by the parishes | 317,951 | 315,994 |
| Net assets, end of year, per unit | \$ 243.41 | \$ 222.17 |
| Distribution per unit | \$ 9.71 | \$ 9.42 |
| Net earnings | \$ 19,508,392 | \$ (4,719,250) |
| Average number of units outstanding | 630,104 | 628,107 |
| Net gain per unit | \$ 30.96 | \$ (7.51) |

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 \$9.71 (2018 - \$9.42) per unit, based upon a 4.25% distribution rate on investments on June 30, 2018 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.