

THE INCORPORATED SYNOD
OF THE DIOCESE OF ALGOMA
FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Unaudited)

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REVIEW ENGAGEMENT REPORT

I have reviewed the statement of financial position of The Incorporated Synod of the Diocese of Algoma as at December 31, 2013 and the statements of revenue and expenses and changes in fund balances and cash flows for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and accordingly consisted primarily of enquiry, analytical procedures and discussion related to information supplied to me by the organization.

A review does not constitute an audit and consequently I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

Sault Ste. Marie, Ontario
June 5, 2014



Chartered Accountant
Licensed Public Accountant

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(Unaudited)

	General Fund	Restricted Funds	2013	2012
CURRENT ASSETS				
Cash and term deposits - note 3	\$ 364,072	\$ 523,966	\$ 888,038	\$ 433,883
Marketable securities - note 4	-	6,577,904	6,577,904	5,843,281
Receivables - note 5	182,385	-	182,385	201,332
Accrued interest receivable	-	17,352	17,352	15,914
Loans receivable - note 6	15,316	416,414	431,730	540,099
Mortgage receivable - note 7	-	845	845	20,820
	<u>561,773</u>	<u>7,536,481</u>	<u>8,098,254</u>	<u>7,055,329</u>
LONG-TERM				
Mortgage receivable - note 7	-	4,566	4,566	5,411
Real estate	28,052	15,386	43,438	42,538
	<u>28,052</u>	<u>19,952</u>	<u>48,004</u>	<u>47,949</u>
	<u>\$ 589,825</u>	<u>\$ 7,556,433</u>	<u>\$ 8,146,258</u>	<u>\$ 7,103,278</u>
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	\$ 280,978	\$ -	\$ 280,978	\$ 98,407
Payable to (receivable from) other funds	(33,970)	33,970	-	-
	<u>247,008</u>	<u>33,970</u>	<u>280,978</u>	<u>98,407</u>
FUND BALANCES				
General Fund				
Unrestricted	289,847	-	289,847	353,294
Clergy moving fund	24,918	-	24,918	24,918
Real estate	28,052	-	28,052	28,052
Restricted Funds - note 2 and 10	-	7,522,463	7,522,463	6,598,607
	<u>342,817</u>	<u>7,522,463</u>	<u>7,865,280</u>	<u>7,004,871</u>
	<u>\$ 589,825</u>	<u>\$ 7,556,433</u>	<u>\$ 8,146,258</u>	<u>\$ 7,103,278</u>

Contingent liabilities - note 8

On behalf of the Executive Committee

_____ Member

_____ Member

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2013
(Unaudited)

	General Fund	Restricted Funds	2013	2012
REVENUE				
Anglican Church Women	\$ 3,000	\$ -	\$ 3,000	\$ 3,000
Apportionment	1,257,660	-	1,257,660	1,257,909
Donations for Algoma Anglican	9,106	-	9,106	9,138
Interest on endowment investments	29,440	-	29,440	28,523
Miscellaneous	9,840	-	9,840	14,001
Restricted funds - note 10	<u>-</u>	<u>1,401,173</u>	<u>1,401,173</u>	<u>450,191</u>
	<u>1,309,046</u>	<u>1,401,173</u>	<u>2,710,219</u>	<u>1,762,762</u>
EXPENSES				
Algoma Anglican	24,709	-	24,709	24,777
Diocesan programs and other	68,555	-	68,555	74,619
General Synod apportionment	300,000	-	300,000	300,000
Interest and bank charges	1,076	-	1,076	980
Legal	5,334	-	5,334	335
Missions to Seafarers	8,750	-	8,750	8,585
New initiatives	28,326	-	28,326	28,614
Printing, stationery and office	51,878	-	51,878	43,744
Property maintenance	60,691	-	60,691	30,078
Provision for doubtful accounts	17,000	-	17,000	43,079
Salaries, wages and benefits	605,841	-	605,841	590,851
Stipends, grants, pensions - note 11	113,147	-	113,147	117,240
Synod costs	12,000	-	12,000	9,838
Theological education assistance	14,500	-	14,500	14,500
Travel	60,686	-	60,686	50,101
Restricted funds - note 10	<u>-</u>	<u>477,317</u>	<u>477,317</u>	<u>155,562</u>
	<u>1,372,493</u>	<u>477,317</u>	<u>1,849,810</u>	<u>1,492,903</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(63,447)	923,856	860,409	269,859
FUND BALANCES, beginning of year	<u>406,264</u>	<u>6,598,607</u>	<u>7,004,871</u>	<u>6,735,012</u>
FUND BALANCES, end of year	<u>\$ 342,817</u>	<u>\$ 7,522,463</u>	<u>\$ 7,865,280</u>	<u>\$ 7,004,871</u>

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013
(Unaudited)

	General Fund	Restricted Funds	2013	2012
CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Excess (Deficiency) of revenue over expenses	\$ (63,447)	\$ 923,856	\$ 860,409	\$ 269,859
Item not affecting working capital				
Gain on marketable securities	-	(693,373)	(693,373)	(203,964)
Changes in non-cash working capital				
Receivables	18,947	-	18,947	(41,142)
Accrued interest receivable	-	(1,438)	(1,438)	1,376
Accounts payable and accrued liabilities	182,571	-	182,571	5,206
Payable to (receivable from) other funds	<u>(35,426)</u>	<u>35,426</u>	<u>-</u>	<u>-</u>
	<u>102,645</u>	<u>264,471</u>	<u>367,116</u>	<u>31,335</u>
INVESTING ACTIVITIES				
Decrease in marketable securities	-	(41,250)	(41,250)	(192,207)
Loans receivable	(7,342)	115,711	108,369	(19,060)
Purchase of capital assets	-	(900)	(900)	(818)
Decrease (increase) in mortgage receivable	<u>-</u>	<u>20,820</u>	<u>20,820</u>	<u>(19,203)</u>
	<u>(7,342)</u>	<u>94,381</u>	<u>87,039</u>	<u>(231,288)</u>
INCREASE (DECREASE) IN CASH	95,303	358,852	454,155	(199,953)
CASH, beginning of year	<u>268,769</u>	<u>165,114</u>	<u>433,883</u>	<u>633,836</u>
CASH, end of year	<u>\$ 364,072</u>	<u>\$ 523,966</u>	<u>\$ 888,038</u>	<u>\$ 433,883</u>

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Unaudited)

1. PURPOSE OF THE ORGANIZATION

The Incorporated Synod of the Diocese of Algoma is incorporated without share capital under a special Act of the Ontario Provincial Legislature. The Diocese is an incorporated not-for-profit organization and is exempt from income taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

The Diocese has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations. The Diocese's more significant accounting policies are as follows:

General Fund – Real Estate

Real estate consisting of Bishophurst is reflected at nominal value. No provision has been made for depreciation on buildings since the estimated value is in excess of the carrying amount.

All other real estate, except for real estate held for future development, registered in the name of the Diocese, comprising parish churches, halls, residences, and cemeteries located within the Diocese, are reflected on the financial statements of the individual parishes and boards.

General Fund – Clergy Moving Fund

Cash from the general fund of \$24,918 has been internally restricted to provide moving loans to parishes.

Cash and Cash Equivalents

Cash consists of balances held on deposit at chartered banks.

Capital Assets

Capital asset expenditures for office and computer equipment with a cost of less than \$10,000 are treated as expenditures in the period incurred.

Financial Assets and Liabilities

The Diocese considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Diocese accounts for the following as financial instruments:

- Cash and term deposits
- Marketable securities
- Receivables
- Loans receivable
- Mortgage receivable
- Accounts payable and accrued liabilities

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Assets and Liabilities (continued)

A financial asset or liability is recognized when the Diocese becomes party to contractual provisions of the instrument.

The Diocese initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

Financial assets or liabilities obtained in related party transactions are measured in accordance with the accounting policy for related party transactions except for those transactions that are with a person or entity whose sole relationship with the entity is in the capacity of management, in which case they are accounted for in accordance with financial instruments.

The Diocese subsequently measures all of its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and term deposits, receivables, accrued interest, loans receivable and mortgage receivable.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial instruments measured at fair value include marketable securities. The fair value of investments in publicly traded companies has been determined using the closing price at year end.

The Diocese removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net income.

Revenue Recognition

Revenue from donations and fundraising activities is recognized when received. All other revenue is recognized on an accrual basis.

Foreign Currency Transactions

The Diocese translates all of its foreign currency transactions using the temporal method. Monetary assets and liabilities are translated at the exchange rate in effect at the statement of financial position date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Exchange gains and losses are included in the statement of revenue and expenses and changes in fund balances.

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Fund Balances

The Archbishop Wright Building Fund (AWBF) is an internally restricted fund to facilitate capital loans and property expenses.

The Church Workers' Transportation Fund (CWTF) is an internally restricted fund to facilitate car loans and theological education.

Special purpose funds for Local Parish and Diocesan purposes are restricted funds to support ministry and mission throughout the diocese and within local parishes.

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates. Significant areas requiring the use of estimates relate to the determination of the allowance for doubtful accounts.

3. CASH AND TERM DEPOSITS

The Diocese holds a short-term deposit in a guaranteed investment certificate with an interest rate of 1.2% in its general fund. The short-term deposit balance at year end is \$50,000 (2012 - \$102,468) and matures December 10, 2014. The Diocese holds cash balances in its restricted funds as follows: Local Parish and Diocesan purposes - \$453,965, Archbishop Wright Building Fund (AWBF) - \$32,203 and Church Workers' Transportation Fund (CWTF) - \$37,798.

4. MARKETABLE SECURITIES

Marketable securities comprise investments in publicly traded companies. Dividends, interest and fees charged by the custodian and capital gains from the sale of marketable securities are allocated among the funds on a proportionate basis. Marketable securities held in the restricted funds are as follows:

	2013	2012
Local Parish and Diocesan Purpose funds	\$4,752,517	\$4,300,100
Archbishop Wright Building fund (AWBF)	1,651,727	1,390,901
Church Workers' Transportation fund (CWTF)	<u>173,660</u>	<u>152,280</u>
	<u>\$6,577,904</u>	<u>\$5,843,281</u>

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
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5. RECEIVABLES

	2013	2012
Accounts receivable	\$231,894	\$241,413
Harmonized sales tax receivable	<u>11,291</u>	<u>20,719</u>
	243,185	262,132
Allowance for doubtful accounts	<u>60,800</u>	<u>60,800</u>
	<u>\$182,385</u>	<u>\$201,332</u>

6. LOANS RECEIVABLE

Loans receivable are held in the general and restricted funds areas as follows:

	2013	2012
General fund	\$ 15,316	\$ 7,974
Church Workers' Transportation fund (CWTF)	21,686	52,845
Archbishop Wright Building fund (AWBF)	<u>394,728</u>	<u>479,280</u>
	<u>\$431,730</u>	<u>\$540,099</u>

7. MORTGAGE RECEIVABLE

Mortgages receivable from clergy are held by the Diocese on behalf of individual parishes in the Local Parish fund. The first mortgage has set principal repayments with interest applicable at a rate of 3% and is due to be repaid in December 2019.

8. CONTINGENT LIABILITIES

The Diocese has guaranteed a mortgage held by a not for profit corporation to a maximum of \$128,009. In addition, the Diocese has guaranteed bank operating lines of credit for two parishes to a maximum of \$37,000 in total.

9. CREDIT FACILITIES

The Diocese has a credit facility with the CIBC in the amount of \$250,000, secured by a general security agreement. Interest is calculated at prime + 1.5%. As at December 31, 2013, no amount of the facility was utilized.

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA
NOTES TO FINANCIAL STATEMENTS
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(Unaudited)

10. RESTRICTED FUNDS

	Local Parish Purposes	Diocesan Purposes	AWBF Purposes	CWTF Purposes	Total 2013	Total 2012
<u>Revenue</u>						
Capital gains	\$ 27,857	\$ 27,996	\$ 17,774	\$ 1,907	\$ 75,534	\$ 50,564
Interest						
Investments	77,223	80,636	49,627	5,257	212,743	181,893
Loans	-	-	20,555	2,466	23,021	26,903
Contributions	376,512	4,844	-	-	381,356	30,985
Fair market adjustment on investments	228,351	226,058	147,718	15,743	617,870	153,400
Donations and other	<u>21,183</u>	<u>69,466</u>	<u>-</u>	<u>-</u>	<u>90,649</u>	<u>6,446</u>
	<u>731,126</u>	<u>409,000</u>	<u>235,674</u>	<u>25,373</u>	<u>1,401,173</u>	<u>450,191</u>
<u>Expenses</u>						
Administrative services	20,618	22,247	17,845	1,644	62,354	55,856
Disbursements for designated purposes	<u>342,704</u>	<u>72,259</u>	<u>-</u>	<u>-</u>	<u>414,963</u>	<u>99,706</u>
	<u>363,322</u>	<u>94,506</u>	<u>17,845</u>	<u>1,644</u>	<u>477,317</u>	<u>155,562</u>
Excess of revenue over expenses	367,804	314,494	217,829	23,729	923,856	294,629
Fund balance, beginning of year	<u>2,262,922</u>	<u>2,246,746</u>	<u>1,878,318</u>	<u>210,621</u>	<u>6,598,607</u>	<u>6,303,978</u>
Fund balance, end of year	<u>\$2,630,726</u>	<u>\$2,561,240</u>	<u>\$2,096,147</u>	<u>\$234,350</u>	<u>\$7,522,463</u>	<u>\$ 6,598,607</u>

The Diocese has received numerous bequests over the years since incorporation which are recorded as assets of the above funds. The use of the bequests is either internally or externally restricted. These financial statements do not provide this classification as there are many funds where the restriction is not known.

11. STIPENDS, GRANTS AND PENSIONS

Stipends, grants and pensions include \$36,148 (2012 - \$43,500) in respect of the Diocesan grants to assisted parishes. Total stipends, salaries and grants paid through the central payroll facility of the Diocese amounted to \$3,136,216 (2012 - \$3,188,752).

12. PENSION PLAN

The Diocese participates in a defined contribution plan for its employees administered by The Anglican Church of Canada. The employees contribute 4.8% of salary and the Diocese contributes 12.4%(2012 - 12.4%). The pension expense for the year amounted to \$63,603 (2012 - \$60,762).

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013
(Unaudited)

13. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in the Diocese assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of financial statements in assessing the extent of risk related to financial instruments.

Market Risk

The Diocese's financial instruments expose it to market risk, in particular, other price risk which results from investing activities. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Diocese is exposed to other price risk through its investments quoted in an active market.

Credit Risk

The Diocese is subject to credit risk through receivables. Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Management has provided for any expected financial loss on the December 31, 2013 receivables, loans receivable or mortgage receivable balances.

Liquidity Risk

Liquidity risk is the risk that the Diocese may encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. It is management's opinion that the Diocese is not exposed to significant liquidity risks arising from its financial instruments.