

THE INCORPORATED SYNOD  
OF THE DIOCESE OF ALGOMA  
FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(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, 2014 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  
March 4, 2015

  
Chartered Professional Accountant  
Licensed Public Accountant

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014  
(Unaudited)

	General Fund	Restricted Funds	2014	2013
<b>CURRENT ASSETS</b>				
Cash and term deposits - note 3	\$ 216,011	\$ 1,370,302	\$ 1,586,313	\$ 888,038
Marketable securities - note 4	-	6,817,043	6,817,043	6,577,904
Receivables - note 5	244,041	-	244,041	182,385
Accrued interest receivable	-	14,711	14,711	17,352
Loans receivable - note 6	7,527	435,974	443,501	431,730
Mortgage receivable - note 7	-	871	871	845
	<u>467,579</u>	<u>8,638,901</u>	<u>9,106,480</u>	<u>8,098,254</u>
<b>LONG-TERM</b>				
Mortgage receivable - note 7	-	3,695	3,695	4,566
Real estate	28,052	16,361	44,413	43,438
	<u>28,052</u>	<u>20,056</u>	<u>48,108</u>	<u>48,004</u>
	<u>\$ 495,631</u>	<u>\$ 8,658,957</u>	<u>\$ 9,154,588</u>	<u>\$ 8,146,258</u>
<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 132,602	\$ -	\$ 132,602	\$ 280,978
Payable to (receivable from) other funds	29,441	(29,441)	-	-
	<u>162,043</u>	<u>(29,441)</u>	<u>132,602</u>	<u>280,978</u>
<b>FUND BALANCES</b>				
<b>General Fund</b>				
Unrestricted	280,618	-	280,618	289,847
Clergy moving fund	24,918	-	24,918	24,918
Real estate	28,052	-	28,052	28,052
Restricted Funds - note 2 and 10	-	8,688,398	8,688,398	7,522,463
	<u>333,588</u>	<u>8,688,398</u>	<u>9,021,986</u>	<u>7,865,280</u>
	<u>\$ 495,631</u>	<u>\$ 8,658,957</u>	<u>\$ 9,154,588</u>	<u>\$ 8,146,258</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, 2014  
(Unaudited)

	General Fund	Restricted Funds	2014	2013
<b>REVENUE</b>				
Anglican Church Women	\$ 4,050	\$ -	\$ 4,050	\$ 3,000
Apportionment	1,257,660	-	1,257,660	1,257,660
Donations for Algoma Anglican	9,433	-	9,433	9,106
Interest on endowment investments	35,943	-	35,943	29,440
Miscellaneous	23,450	-	23,450	9,840
Restricted funds - note 10	-	1,753,606	1,753,606	1,401,173
	<u>1,330,536</u>	<u>1,753,606</u>	<u>3,084,142</u>	<u>2,710,219</u>
<b>EXPENSES</b>				
Algoma Anglican	25,266	-	25,266	24,709
Bad debts	21,711	-	21,711	17,000
Diocesan programs and other	73,492	-	73,492	68,555
General Synod apportionment	300,000	-	300,000	300,000
Interest and bank charges	1,010	-	1,010	1,076
Legal	4,113	-	4,113	5,334
Missions to Seafarers	8,800	-	8,800	8,750
New initiatives	28,270	-	28,270	28,326
Printing, stationery and office	52,230	-	52,230	51,878
Property maintenance	37,166	-	37,166	60,691
Salaries, wages and benefits	612,823	-	612,823	605,841
Stipends, grants, pensions - note 11	94,690	-	94,690	113,147
Synod costs	12,000	-	12,000	12,000
Theological education assistance	15,100	-	15,100	14,500
Travel	53,094	-	53,094	60,686
Restricted funds - note 10	-	587,671	587,671	477,317
	<u>1,339,765</u>	<u>587,671</u>	<u>1,927,436</u>	<u>1,849,810</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(9,229)</b>	<b>1,165,935</b>	<b>1,156,706</b>	<b>860,409</b>
<b>FUND BALANCES, beginning of year</b>	<u><b>342,817</b></u>	<u><b>7,522,463</b></u>	<u><b>7,865,280</b></u>	<u><b>7,004,871</b></u>
<b>FUND BALANCES, end-of-year</b>	<u><b>\$ 333,588</b></u>	<u><b>\$ 8,688,398</b></u>	<u><b>\$ 9,021,986</b></u>	<u><b>\$ 7,865,280</b></u>

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2014  
(Unaudited)

	General Fund	Restricted Funds	2014	2013
CASH PROVIDED BY (USED FOR)				
OPERATING ACTIVITIES				
Excess (Deficiency) of revenue over expenses	\$ (9,229)	\$ 1,165,935	\$ 1,156,706	\$ 860,409
Item not affecting working capital				
Gain on marketable securities	-	(131,571)	(131,571)	(693,373)
Changes in non-cash working capital				
Receivables	(61,656)	-	(61,656)	18,947
Accrued interest receivable	-	2,641	2,641	(1,438)
Accounts payable and accrued liabilities	(148,376)	-	(148,376)	182,571
Payable to (receivable from) other funds	63,411	(63,411)	-	-
	<u>(155,850)</u>	<u>973,594</u>	<u>817,744</u>	<u>367,116</u>
INVESTING ACTIVITIES				
Increase in marketable securities	-	(107,568)	(107,568)	(41,250)
Loans receivable	7,789	(19,560)	(11,771)	108,369
Additions to real estate	-	(975)	(975)	(900)
Decrease in mortgage receivable	-	845	845	20,820
	<u>7,789</u>	<u>(127,258)</u>	<u>(119,469)</u>	<u>87,039</u>
INCREASE (DECREASE) IN CASH	(148,061)	846,336	698,275	454,155
CASH, beginning of year	<u>364,072</u>	<u>523,966</u>	<u>888,038</u>	<u>433,883</u>
CASH, end of year	<u>\$ 216,011</u>	<u>\$ 1,370,302</u>	<u>\$ 1,586,313</u>	<u>\$ 888,038</u>

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014  
(Unaudited)

1. PURPOSE OF THE ORGANIZATION

The Incorporated Synod of the Diocese of Algoma ("The Diocese") is incorporated without share capital under a special Act of the Ontario Provincial Legislature. The Diocese is a 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.

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 Instruments

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  
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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (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 the statement of revenue and expenses.

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 assets 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 the statement of revenue and expenses.

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.

THE INCORPORATED SYNOD OF THE DIOCESE OF ALGOMA

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

(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, the 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 in its general fund with an interest rate of 1.25%. The short-term deposit balance at year end is \$50,000 (2013 - \$50,000) and matures December 10, 2015. The Diocese holds cash balances in its restricted funds as follows: Local Parish and Diocesan purposes - \$1,013,531, Archbishop Wright Building Fund (AWBF) - \$306,388 and Church Workers' Transportation Fund (CWTF) - \$50,383.

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:

	2014	2013
Local Parish and Diocesan Purpose funds	\$5,165,725	\$4,752,517
Archbishop Wright Building fund (AWBF)	1,467,219	1,651,727
Church Workers' Transportation fund (CWTF)	184,099	173,660
	<u>\$6,817,043</u>	<u>\$6,577,904</u>



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5. RECEIVABLES

	2014	2013
Accounts receivable	\$285,830	\$231,894
Harmonized sales tax receivable	<u>19,011</u>	<u>11,291</u>
	304,841	243,185
Allowance for doubtful accounts	<u>60,800</u>	<u>60,800</u>
	<u>\$244,041</u>	<u>\$182,385</u>

6. LOANS RECEIVABLE

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

	2014	2013
General fund	\$ 7,527	\$ 15,316
Church Workers' Transportation fund (CWTF)	11,303	21,686
Archbishop Wright Building fund (AWBF)	<u>424,671</u>	<u>394,728</u>
	<u>\$443,501</u>	<u>\$431,730</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 \$120,144. 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, 2014, no amount of the facility was utilized.

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(Unaudited)

10. RESTRICTED FUNDS

	Local Parish Purposes	Diocesan Purposes	AWBF Purposes	CWTF Purposes	2014 Total	2013 Total
<u>Revenue</u>						
Capital gains	\$ 36,630	\$ 30,936	\$ 17,403	\$ 2,114	\$ 87,083	\$ 75,534
Interest						
Investments	114,687	100,100	54,879	6,622	276,288	212,743
Loans	-	-	27,501	977	28,478	23,021
Contributions	1,172,898	21,858	-	-	1,194,756	381,356
Fair market adjustment on investments	59,375	33,055	35,813	3,328	131,571	617,870
Donations and other	<u>25,000</u>	<u>10,430</u>	<u>-</u>	<u>-</u>	<u>35,430</u>	<u>90,649</u>
	<u>1,408,590</u>	<u>196,379</u>	<u>135,596</u>	<u>13,041</u>	<u>1,753,606</u>	<u>1,401,173</u>
<u>Expenses</u>						
Administrative services	24,568	23,604	1,376	1,655	51,203	62,354
Disbursements for designated purposes	<u>490,956</u>	<u>28,573</u>	<u>16,939</u>	<u>-</u>	<u>536,468</u>	<u>414,963</u>
	<u>515,524</u>	<u>52,177</u>	<u>18,315</u>	<u>1,655</u>	<u>587,671</u>	<u>477,317</u>
Excess of revenue over expenses	893,066	144,202	117,281	11,386	1,165,935	923,856
Fund balance, beginning 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>
Fund balance, end of year	<u>\$3,523,792</u>	<u>\$2,705,442</u>	<u>\$2,213,428</u>	<u>\$245,736</u>	<u>\$8,688,398</u>	<u>\$7,522,463</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 \$11,741 (2013 - \$36,148) 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 \$2,903,357 (2013 - \$3,136,216).

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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% (2013 - 12.4%). The pension expense for the year amounted to \$62,164 (2013 - \$63,603). Commencing in 2014 the Diocese contributes an additional 1.3% of salary to fund a pension administration fee. The pension administrative fee for the year amounted to \$6,787.

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, 2014 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.