



Financial Statements

The Incorporated Synod of the Diocese of Algoma

December 31, 2012

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## Independent Auditor's Report

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To The Right Reverend Doctor Stephen Andrews, and  
Members of The Incorporated Synod of the Diocese of Algoma

We have audited the accompanying financial statements of The Incorporated Synod of the Diocese of Algoma, which comprise the statement of financial position as at December 31, 2012 and the statements of revenue and expenses and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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.

### **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

#### **Basis for qualified opinion**

Note 2 to the financial statements explains the Synod's policy for accounting for capital assets. The note indicates that capital assets are expensed as acquired rather than being recognized as a capital asset upon acquisition. In this respect, the financial statements are not in accordance with Canadian accounting standards for not-for-profit organizations. If expenditures had been recognized as assets, assets would increase by \$9,666, equity would increase by \$11,009, and expenses would increase by \$1,343.

#### **Qualified opinion**

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Incorporated Synod of the Diocese of Algoma as at December 31, 2012, 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.

#### **Comparative information**

Without modifying our opinion, we draw your attention to Note 2 of the financial statements which describes that Incorporated Synod of the Diocese of Algoma adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transitional date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2010, and the Statements of Revenue and Expenses and Changes in Fund Balances and Cash Flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Sault Ste. Marie, Ontario

February 27, 2013



Chartered accountants  
Licensed public accountants

# The Incorporated Synod of the Diocese of Algoma

## Statement of Financial Position

	General Fund	Restricted Funds	December 31, 2012	December 31, 2011 (unaudited)	January 1, 2011 (unaudited)
<b>Assets</b>					
<b>Current</b>					
Cash and treasury bills (Note 4)	\$ 268,769	\$ 165,114	\$ 433,883	\$ 633,836	\$ 913,282
Marketable securities (Note 5)	-	5,843,281	5,843,281	5,447,110	5,396,085
Accounts receivable, net of allowance for doubtful accounts of \$60,800 (2011: \$60,800)	180,613	-	180,613	148,887	69,066
Accrued interest receivable	-	15,914	15,914	17,290	14,628
HST receivable	20,719	-	20,719	11,303	12,269
Loans receivable (Note 6)	7,974	532,125	540,099	521,039	486,579
Mortgages receivable (Note 7)	-	20,820	20,820	797	772
	478,075	6,577,254	7,055,329	6,780,262	6,892,681
<b>Long-term</b>					
Mortgage receivable (Note 7)	-	5,411	5,411	6,231	7,028
Real estate	28,052	14,486	42,538	41,720	40,957
	\$ 506,127	\$ 6,597,151	\$ 7,103,278	\$ 6,828,213	\$ 6,940,666
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accruals	\$ 98,407	\$ -	\$ 98,407	\$ 93,201	\$ 56,360
Payable (receivable) to/from other funds	1,456	(1,456)	-	-	-
	99,863	(1,456)	98,407	93,201	56,360
<b>Funds</b>					
<b>General fund</b>					
Unrestricted	353,294	-	353,294	378,064	392,109
Clergy moving fund	24,918	-	24,918	24,918	24,918
Real estate	28,052	-	28,052	28,052	28,052
Restricted funds (Notes 2 and 8)	-	6,598,607	6,598,607	6,303,978	6,439,227
	406,264	6,598,607	7,004,871	6,735,012	6,884,306
	\$ 506,127	\$ 6,597,151	\$ 7,103,278	\$ 6,828,213	\$ 6,940,666

Contingencies and subsequent event (Notes 12)

On behalf of the Executive Committee

\_\_\_\_\_ Member

\_\_\_\_\_ Member

See accompanying notes to the financial statements.

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## The Incorporated Synod of the Diocese of Algoma

### Statement of Revenue and Expenses and Changes in Fund Balances

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	<u>General</u> <u>Fund</u>	<u>Restricted</u> <u>Funds</u>	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u> <small>(unaudited)</small>
<b>Revenue</b>				
Anglican Church Women	\$ 3,000	\$ -	\$ 3,000	\$ 9,000
Apportionment	1,257,909	-	1,257,909	1,257,659
Donations for Algoma Anglican	9,138	-	9,138	9,269
Interest on endowment investments	28,523	-	28,523	29,714
Miscellaneous	14,001	-	14,001	21,793
Restricted funds (Note 8)	-	450,191	450,191	454,993
	<u>1,312,571</u>	<u>450,191</u>	<u>1,762,762</u>	<u>1,782,428</u>
<b>Expenses</b>				
Algoma Anglican	24,777	-	24,777	25,191
Diocesan programs and other	74,619	-	74,619	74,108
General Synod apportionment	300,000	-	300,000	300,000
Interest and bank charges	980	-	980	763
Legal	335	-	335	423
Missions to Seafarers	8,585	-	8,585	8,500
New initiatives	28,614	-	28,614	28,114
Printing, stationery and office	43,744	-	43,744	50,941
Property maintenance and expenses	30,078	-	30,078	95,545
Provision for doubtful accounts	43,079	-	43,079	10,174
Salaries, wages and benefits	590,851	-	590,851	542,150
Stipends, grants, pensions (Note 7)	117,240	-	117,240	115,620
Synod costs	9,838	-	9,838	13,116
Theological education assistance	14,500	-	14,500	14,450
Travel	50,101	-	50,101	62,385
Restricted funds (Note 8)	-	155,562	155,562	590,242
	<u>1,337,341</u>	<u>155,562</u>	<u>1,492,903</u>	<u>1,931,722</u>
<b>Excess of (expenses over revenue) revenue over expenses</b>	<u>\$ (24,770)</u>	<u>\$ 294,629</u>	<u>\$ 269,859</u>	<u>\$ (149,294)</u>
<hr/>				
<b>Fund balances, beginning of year</b>	\$ 431,034	\$ 6,303,978	\$ 6,735,012	\$ 6,884,306
Excess of (expenses over revenue) revenues over expenses	<u>(24,770)</u>	<u>294,629</u>	<u>269,859</u>	<u>(149,294)</u>
<b>Fund balances, end of year</b>	<u>\$ 402,264</u>	<u>\$ 6,598,607</u>	<u>\$ 7,004,871</u>	<u>\$ 6,735,012</u>

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See accompanying notes to the financial statements.

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## The Incorporated Synod of the Diocese of Algoma

### Statement of Cash Flows

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	<u>General</u> <u>Fund</u>	<u>Restricted</u> <u>Funds</u>	<b><u>December 31,</u></b> <b><u>2012</u></b>	December 31, <u>2011</u> (unaudited)
Cash derived from (applied to)				
<b>Operating</b>				
Excess of expenses over revenue (revenue over expenditures)	\$ (24,770)	\$ 294,629	\$ <b>269,859</b>	\$ (149,294)
Items not affecting working capital				
(Gain) loss on marketable securities	-	(203,964)	<b>(203,964)</b>	168,062
Change in non-cash operating working capital				
Accounts receivable	(41,142)	-	<b>(41,142)</b>	(78,855)
Interest receivable	-	1,376	<b>1,376</b>	(2,662)
Loans receivable	9,156	(28,216)	<b>(19,060)</b>	(34,460)
Receivable from other funds	(4,751)	4,751	-	-
Accounts payable and accruals	<u>5,206</u>	<u>-</u>	<b><u>5,206</u></b>	<u>36,841</u>
	<u>(56,301)</u>	<u>68,576</u>	<b><u>12,275</u></b>	<u>(60,368)</u>
<b>Investing activities</b>				
(Increase) decrease in marketable securities	-	(192,207)	<b>(192,207)</b>	301,961
Purchase of capital assets	-	(818)	<b>(818)</b>	(763)
Increase (decrease) in mortgages receivable	<u>-</u>	<u>(19,203)</u>	<b><u>(19,203)</u></b>	<u>872</u>
	<u>-</u>	<u>(212,228)</u>	<b><u>(212,228)</u></b>	<u>302,070</u>
Net decrease in cash position	(56,301)	(143,652)	<b>(199,953)</b>	241,702
Cash position				
Beginning of year	<u>325,070</u>	<u>308,766</u>	<b><u>633,836</u></b>	<u>392,134</u>
End of year	<u>\$ 268,769</u>	<u>\$ 165,114</u>	<b><u>\$ 433,883</u></b>	<u>\$ 633,836</u>

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See accompanying notes to the financial statements.

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# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

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### 1. Nature of operations

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.

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### 2. Summary of significant accounting policies

#### Basis of presentation

The Diocese has prepared these financial statements in accordance with Canadian accounting standards for not-for-profit enterprises ("ASNPO"). The preparation of these financial statements, in conformity with ASNPO, requires management to make estimates and assumptions that affect the reported amount 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 current period. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they became known.

#### Revenue recognition

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

#### Cash and cash equivalents

Cash consists of balances held on deposit with chartered banks.

#### General fund - real estate

Real estate consisting of Bishophurst is reflected at nominal values. No provision has been made for depreciation on buildings.

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.

#### Capital assets

Capital asset additions are treated as expenditures in the period incurred.



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# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

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### 2. Summary of significant accounting policies (continued)

#### 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 cash equivalents
- receivables
- marketable securities
- payables and accruals
- due to/from fund balances

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 entity 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 cash equivalents, receivables, accrued interest, loans and mortgages receivable.

Financial liabilities measured at amortized cost include payables and accruals.

Financial liabilities measured at carrying value include due to/from fund balances.

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 the 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.

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# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

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### 2. Summary of significant accounting policies (continued)

#### 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 balance sheet 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 net income (loss).

#### Nature of restricted fund balances

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

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

The Special Purpose Funds 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 generally accepted accounting principles 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 expenditures during the reporting period. Actual results could differ from those estimates.

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### 3. First-time adoption of Canadian accounting standards for not-for-profit organizations ("ASNPO")

These financial statements are the first financial statements for which the Diocese has applied ASNPO. The financial statements for the period ended December 31, 2012 were prepared in accordance with ASNPO. Comparative period information presented for the year ended December 31, 2011 was prepared in accordance with ASNPO and the provisions set out in Section 1501 First-time adoption.

The date of transition to ASNPO is January 1, 2011. The Diocese's transition to ASNPO has had no significant impact on the opening fund balances as at January 1, 2011 or the statements of financial position or the statement of cash flows for the year ended December 31, 2011.

As a result, the reconciliations and disclosures required by Section 1501 First-time adoption, for the fund balances at the transition date, the comparative period statement of excess of expenses over revenue and the cash flow statement are not necessary and have not been presented in these financial statement notes.

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# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

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### 4. Cash and short-term investments

The Diocese holds short-term investments in a Guaranteed Investment Certificate with an interest rate of 1.2% in its general fund. The short-term investment balance at year end is \$102,468 (2011: \$101,250) and matures December 2013. The Diocese holds cash balances in its restricted funds as follows: Local Parish and Diocesan purposes - \$159,358, Archbishop Wright Building Fund (AWBF) - \$92 and Church Workers' Transportation Fund - \$5,664.

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### 5. Marketable securities

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:

	December 31, <u>2012</u>
Church Workers' Transportation fund (CWTF)	\$ 152,280
Archbishop Wright Building fund (AWBF)	1,390,901
Local Parish and Diocesan Purpose funds	<u>4,300,100</u>
	<u>\$ 5,843,281</u>

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### 6. Loans receivable

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

	December 31, <u>2012</u>
General fund	\$ 7,974
Church Workers' Transportation fund (CWTF)	52,845
Archbishop Wright Building fund (AWBF)	<u>479,280</u>
	<u>\$ 540,099</u>

The general fund loans are non-interest bearing, the AWBF loans bear interest at 5% and the CWTF loans bear interest at 6%.

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### 7. Mortgages receivable

Mortgages receivable from clergy are held by the Diocese on behalf of individual parishes in the Local Parish fund. At year end, there are two mortgages outstanding. The first mortgage has set principal repayments with interest applicable at a rate of 3% and is due to be repaid in December 2019. The second mortgage was paid in full in January 2013.

# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

### 8. Restricted funds

	Local Parish Purposes	Diocesan Purposes	AWBF Purposes	CWTF Purposes	Total 2012
<b>Revenue</b>					
Capital gains	\$ 19,213	\$ 18,462	\$ 11,617	\$ 1,272	\$ 50,564
Interest –					
Investments and other	67,502	68,778	41,112	4,501	181,893
Loans			23,529	3,374	26,903
Contributions	11,915	19,070	-	-	30,985
Fair market adjustment on investment	52,601	81,773	17,149	1,877	153,400
Donations and other	-	6,446	-	-	6,446
	<u>151,231</u>	<u>194,529</u>	<u>93,407</u>	<u>11,024</u>	<u>450,191</u>
<b>Expenses</b>					
Administrative services	19,881	20,381	14,019	1,575	55,856
Disbursements for designated purposes	<u>63,485</u>	<u>33,512</u>	<u>2,709</u>	<u>-</u>	<u>99,706</u>
	<u>83,366</u>	<u>53,893</u>	<u>16,728</u>	<u>1,575</u>	<u>155,562</u>
Excess of revenue over expenses	67,865	140,636	76,679	9,449	294,629
<b>Fund balance, beginning of year</b>	<u>2,195,057</u>	<u>2,106,110</u>	<u>1,801,639</u>	<u>201,172</u>	<u>6,303,978</u>
<b>Fund balance, end of year</b>	<u>\$ 2,262,922</u>	<u>\$ 2,246,746</u>	<u>\$ 1,878,318</u>	<u>\$ 210,621</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.

### 9. Stipends, grants and pensions

Stipends, grants and pensions include \$43,500 (2011: \$41,500) 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 \$3,188,752 (2011: \$3,008,247).

### 10. Pension plan

The Diocese participates in a defined contribution plan for its employees administered by The Anglican Church of Canada. The employees contribute 4.4% of salary and the Diocese contributes 12.4% (2011: 12.4%). The pension expense for the year amounted to \$60,762 (2011: \$61,136).

### 11. 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 ½. As at December 31, 2012, no amount of the facility was utilized.

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# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

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### 12. Contingencies and subsequent event

The Diocese has guaranteed a mortgage held by a not for profit corporation to a maximum of \$135,590. In addition, the Diocese has guaranteed bank operating lines of credit for two parishes to a maximum of \$37,000 in total.

A number of lawsuits were outstanding at year end. Since year end, most of the lawsuits have settled for an amount to be covered by the Diocese's insurers. The outcome or settlement amount of the remaining lawsuits is not currently determinable. Although such matters cannot be predicted with certainty, management does not consider the Diocese's exposure to such lawsuits to be material to these financial statements. The liability, if any, arising from the resolution of these matters will be recorded in the year of settlement.

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### 13. 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 financial statements in assessing the extent of risk related to financial instruments.

#### Market risk

The entity'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 entity is exposed to other price risk through its investments quoted in an active market.

#### Credit risk

The entity 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. The entity's management does not expect any financial loss on the December 31, 2012 receivable, loan or mortgage balances.

#### Liquidity risk

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

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# The Incorporated Synod of the Diocese of Algoma

## Notes to the Financial Statements

December 31, 2012

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### 14. Comparative figures

The comparative figures have been reclassified, where necessary, to conform to the current year's presentation. Of significant note, the presentation of investments held in the restricted funds has changed. Total marketable securities are now allocated among the restricted funds, previously recorded as marketable securities in the special purpose funds and as a deposit in the consolidated investment fund held by the Church Workers' Transportation fund and the Archbishop Wright Building fund.

<u>Restricted funds</u>	<u>As reported December 31, 2011</u>	<u>As previously reported December 31, 2011</u>
Cash	\$ 308,766	\$ 308,766
Deposit held in consolidated investment fund	-	1,479,903
Marketable securities	5,447,110	5,447,110
Accrued interest receivable	17,290	17,290
Loans receivable	503,909	503,909
Mortgages receivable	7,028	7,028
Real estate	13,668	13,668
Receivable from other funds	6,207	6,207
Net assets	<u>\$ 6,303,978</u>	<u>\$ 7,783,881</u>