



Financial Statements

The Incorporated Synod of the Diocese of Algoma

December 31, 2010

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Independent auditors' 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, 2010 and the Statements of Revenue and Expenses - General Fund, Cash Flows - General Fund, Fund Balances – General Fund, Church Workers' Transportation Fund, Archbishop Wright Building Fund, and Special Purpose Funds 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, 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.

Auditors' 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 generally accepted accounting principles. If expenditures had been recognized as assets, assets would increase by \$12,953, equity would increase by \$14,405, and expenses would increase by \$1,452.

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, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Sault Ste. Marie, Ontario

March 3, 2011



Chartered accountants

Licensed public accountants

The Incorporated Synod of the Diocese of Algoma

Statement of Financial Position

December 31

2010

2009

Assets

General Fund

Cash	\$ 392,134	\$ 307,642
Accounts receivable, net of allowance for doubtful accounts of \$76,565 (2009: \$207,231)	81,335	70,565
Loans receivable	19,291	20,520
Real estate	28,052	58,152
Receivable from other funds	<u>23,993</u>	<u>3,191</u>
	<u>544,805</u>	<u>460,070</u>

Church Workers' Transportation Fund (CWTF)

Cash	32,244	18,590
Deposit held in consolidated investment fund	145,413	138,445
Receivable from general fund	-	9,077
Loans receivable	<u>20,873</u>	<u>33,818</u>
	<u>198,530</u>	<u>199,930</u>

Archbishop Wright Building Fund (AWBF)

Cash	51,701	44,323
Deposit held in consolidated investment fund	1,269,163	1,158,582
Loans receivable	446,415	485,702
Real estate held for future development, at cost	<u>12,905</u>	<u>12,210</u>
	<u>1,780,184</u>	<u>1,700,817</u>

Special Purpose Funds

Cash and treasury bills	437,203	510,403
Accrued interest receivable	14,628	11,342
Marketable securities	5,396,085	4,980,776
Mortgages receivable (Note 3)	7,800	44,200
Receivable from other funds	<u>41,569</u>	<u>56,080</u>
	<u>5,897,285</u>	<u>5,602,801</u>
	<u>\$ 8,420,804</u>	<u>\$ 7,963,618</u>

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma

Statement of Financial Position

December 31

2010

2009

Liabilities and Fund Balances

General Fund

Accounts payable and accruals	\$ 56,360	\$ 65,903
Payable to church workers' transportation fund	-	9,077
Payable to other funds	43,366	42,087
Clergy moving fund	24,918	24,918
Real estate fund	28,052	58,152
Fund balance, operations	<u>392,109</u>	<u>259,933</u>
	<u>544,805</u>	<u>460,070</u>

Church Workers' Transportation Fund (CWTF)

Payable to other funds	98	120
Fund balance	<u>198,432</u>	<u>199,810</u>
	<u>198,530</u>	<u>199,930</u>

Archbishop Wright Building Fund (AWBF)

Payable to other funds	1,127	1,273
Fund balance	<u>1,779,057</u>	<u>1,699,544</u>
	<u>1,780,184</u>	<u>1,700,817</u>

Special Purpose Funds

Payable to other funds	20,971	15,791
Consolidated investment fund	<u>5,876,314</u>	<u>5,587,010</u>
	<u>5,897,285</u>	<u>5,602,801</u>
	<u>\$ 8,420,804</u>	<u>\$ 7,963,618</u>

Contingencies (Note 4)

On behalf of the Executive Committee

_____ Member _____ Member

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma Statement of Revenue and Expenses – General Fund

Year Ended December 31 2010 2009

Revenue

Anglican Church Women	\$ 10,000	\$ 13,500
Apportionments	1,257,659	1,256,641
Donations for Algoma Anglican	7,776	8,453
Interest on endowment investments	32,954	29,839
Miscellaneous	<u>11,345</u>	<u>23,214</u>
	<u>1,319,734</u>	<u>1,331,647</u>

Expenses

Algoma Anglican	26,004	25,608
Clergy moving	10,430	7,500
Consecration	-	27,692
Diocesan programs and other	83,423	88,214
General Synod apportionment	290,000	284,000
Interest and bank charges	1,144	1,061
Legal	3,073	2,508
Missions to Seafarers	8,500	8,500
New initiatives	18,676	16,663
Printing, stationery and office	56,820	60,058
Property maintenance	37,985	88,746
Provision for doubtful accounts	(108,843)	30,076
Salaries, wages and benefits	571,191	517,273
Stipends, grants and pensions (Note 5)	109,734	96,095
Synod costs	10,000	18,498
Theological education assistance	14,150	17,400
Travel	<u>64,348</u>	<u>44,011</u>
	<u>1,196,635</u>	<u>1,333,903</u>

Excess of revenue over expenses (expenses over revenue)	<u>\$ 123,099</u>	<u>\$ (2,256)</u>
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See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma

Statement of Cash Flows - General Fund

Year Ended December 31

2010

2009

Cash derived from (applied to)

Operating

Excess of revenue over expenses (expenses over revenue)	\$ 123,099	\$ (2,256)
Change in non-cash operating working capital		
Accounts receivable	(10,770)	104,022
Loans receivable	1,229	(2,330)
Receivable from other funds	(20,802)	1,877
Accounts payable and accruals	(9,543)	2,895
Payable to church workers' transportation fund	(9,077)	(13,400)
Payable to other funds	<u>1,279</u>	<u>(9,339)</u>
	<u>75,415</u>	<u>81,469</u>

Other

Transfer from church workers' transportation fund for theological education	<u>9,077</u>	<u>13,400</u>
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Net increase in cash position	84,492	94,869
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Cash position

Beginning of year	<u>307,642</u>	<u>212,773</u>
End of year	<u>\$ 392,134</u>	<u>\$ 307,642</u>

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma Statement of Fund Balances – General Fund

Year Ended December 31	2010	2009
Balance, beginning of year	\$ 259,933	\$ 248,789
Transfer from church workers' transportation fund for theological education	9,077	13,400
Excess of revenue over expenses (expenses over revenue) from operations	<u>123,099</u>	<u>(2,256)</u>
Balance, end of year	<u>\$ 392,109</u>	<u>\$ 259,933</u>

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma Statement of Church Workers' Transportation Fund

Year Ended December 31

2010

2009

Balance, beginning of year	<u>\$ 199,810</u>	<u>\$ 199,505</u>
Revenue		
Capital Gains	1,057	-
Fair market adjustment on held for trading investments	2,336	9,011
Interest		
Loans	1,579	2,405
Investments and other	4,887	4,202
Recovery of bad debt	<u>361</u>	<u>230</u>
	<u>10,220</u>	<u>15,848</u>
Expenses		
Bad debt	1,122	-
Capital losses	-	806
Transfer to general fund for theological education	9,077	13,400
Administrative services	<u>1,399</u>	<u>1,337</u>
	<u>11,598</u>	<u>15,543</u>
Balance, end of year	<u>\$ 198,432</u>	<u>\$ 199,810</u>

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma

Statement of Archbishop Wright Building Fund

Year Ended December 31

2010

2009

Balance, beginning of year	<u>\$ 1,699,544</u>	<u>\$ 1,580,274</u>
Revenue		
Capital gain	9,044	-
Fair market adjustment on held for trading investment	20,287	79,970
Interest		
Loans	22,528	25,455
Investments and other	<u>42,524</u>	<u>35,298</u>
	<u>94,383</u>	<u>140,723</u>
Expenses		
Capital losses	-	6,147
Administrative expenses	12,381	11,308
Property expenses	<u>2,489</u>	<u>3,998</u>
	<u>14,870</u>	<u>21,453</u>
Balance, end of year	<u>\$ 1,779,057</u>	<u>\$ 1,699,544</u>

The Incorporated Synod of the Diocese of Algoma Statement of Special Purpose Funds

Year Ended December 31

	Local Parish Purposes	Diocesan Purposes	AWBF Purposes	CWTF Purposes	Total 2010	Total 2009
Balance, beginning of year	\$ 2,225,213	\$ 2,064,770	\$ 1,158,582	\$ 138,445	\$ 5,587,010	\$ 4,923,902
Revenue						
Capital gains	17,282	15,338	9,044	1,057	42,721	-
Interest - investments and other	80,268	74,519	42,504	4,876	202,167	169,416
Transfers in	150,516	21,722	50,000	-	222,238	333,177
Fair market adjustment on investment held for trading	40,935	39,222	20,287	2,336	102,780	373,957
Donations and other	2,361	1,150	-	-	3,511	1,231
Mortgage receivable interest accretion	9,850	-	-	-	9,850	1,698
	<u>301,212</u>	<u>151,951</u>	<u>121,835</u>	<u>8,269</u>	<u>583,267</u>	<u>879,479</u>
Expenses						
Administrative services	19,798	18,810	11,254	1,301	51,163	46,109
Capital losses	-	-	-	-	-	29,698
Transfers out	5,026	34,500	-	-	39,526	25,302
Disbursements for designated purposes	176,344	26,930	-	-	203,274	115,262
	<u>201,168</u>	<u>80,240</u>	<u>11,254</u>	<u>1,301</u>	<u>293,963</u>	<u>216,371</u>
Balance, end of year	\$ 2,325,257	\$ 2,136,481	\$ 1,269,163	\$ 145,413	\$ 5,876,314	\$ 5,587,010

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2010

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.

2. Summary of significant accounting policies

Revenue recognition

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

General fund - real estate

Real estate consisting of Bishophurst and Camp Manitou 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.

Capital assets

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

Financial assets and liabilities

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the Balance Sheet when the Diocese becomes party to the contractual provisions of a financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or other financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition and the designations made for each financial instrument are indicated in the notes. A description of the various designation classifications follows:

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition or adoption of this standard, even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855. The Diocese has classified the following financial instruments as held for trading; included in the General Fund is cash; included in the Church Workers Transportation Fund are cash and deposit held in consolidated investment fund; included in the Archbishop Wright Building Fund are cash and deposits held in consolidated investment fund; included in Special Purpose Funds are cash and treasury bills and marketable securities.

The Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2010

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

The financial assets classified as loans and receivables are measured at amortized cost. The Diocese's financial instruments classified as loans and receivables in the General Fund, include accounts receivable, loans receivable, and receivable from other funds; included in the Church Workers Transportation Fund are receivable from general fund, receivable from other funds and loans receivable; included in the Archbishop Wright Building Fund is loans receivable; included in Special Purpose Funds are accrued interest receivable, receivable from other funds and mortgages receivable. There are no financial instruments classified as held to maturity or available for sale.

Financial instruments classified as other financial liabilities in the General Fund, include accounts payable and accruals, payable to Church Workers' Transportation Fund, and payable to other funds; included in the Church Workers Transportation Fund is payable to other funds; included in the Archbishop Wright Building Fund is payable to other funds; and included in Special Purpose Funds is payables to other funds.

3. Mortgage receivable

Mortgages receivable from clergy are held by the Diocese on behalf of individual parishes. At year end, there is one mortgage outstanding. The mortgage has set principal repayments with interest applicable at a rate of 3% and is due to be repaid in December 2019. Mortgages receivable are classified as loans and receivable and are carried at amortized cost. A second mortgage was fully repaid in the year and had been discounted due to its 0% interest rate. Interest revenue due to accretion of the discount amount of \$9,850 (2009: \$1,698) has been recorded as revenue in the Statement of Special Purpose Funds, Local Parish Purposes.

4. Contingencies

The Diocese has guaranteed a mortgage held by a not for profit corporation to a maximum of \$149,500. In addition, the Diocese has guaranteed bank operating lines of credit for two parishes to a maximum of \$37,000 in total.

5. Stipends, grants and pensions

Stipends, grants and pensions include \$43,331 (2009: \$47,809) 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 \$2,985,265 (2009: \$2,938,875).

The Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2010

6. 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 11.2% (2009: 10%). The pension expense for the year amounted to \$54,174 (2009: \$38,092).

7. Related party transactions

The Diocese is related to the William McMurray Corporation as three members of the Diocese Executive Committee are also on the 9 member Board of Directors of the William McMurray Corporation.

During the year the Diocese made rental payments to William McMurray Corporation in the amount of \$23,045 (2009: \$22,885).

During the year William McMurray Corporation made payments to the Diocese as follows:

	<u>2010</u>	<u>2009</u>
Interest – Archbishop Wright Building Fund loan	\$ 2,902	\$ 3,382
Principal – Archbishop Wright Building Fund loan	9,758	9,278
Administration fees	-	9,000

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

At December 31, 2010, William McMurray Corporation was indebted to the Diocese for a 5% Archbishop Wright Building Fund loan in the amount of \$52,748 (2009: \$62,506).

8. Concentration of credit risk

The Diocese has receivables that potentially expose it to a concentration of credit risk. Receivables include amounts due from parishes and parish employees. The Diocese performs ongoing credit evaluation of receivables and maintains an allowance for potential losses.

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 ½. As at December 31, 2010, no amount of the facility was utilized.