



Financial Statements

The Incorporated Synod of the Diocese of Algoma

December 31, 2011

Contents

	Page
Independent Auditors' Report	1
Statement of Financial Position	3-4
Statement of Revenue and Expenses – General Fund	5
Statement of Cash Flows - General Fund	6
Statement of Fund Balances – General Fund	7
Statement of Church Workers' Transportation Fund	8
Statement of Archbishop Wright Building Fund	9
Statement of Special Purpose Funds	10
Notes to the Financial Statements	11-14



Grant Thornton

Independent auditors' report

Grant Thornton LLP
5th Floor, Station Tower
421 Bay Street
Sault Ste. Marie, ON
P6A 1X3
T +1 705 945 9700
F +1 705 945 9705
www.GrantThornton.ca
www.GrantThornton.ca

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, 2011 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 \$11,009, equity would increase by \$12,721, and expenses would increase by \$1,712.

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, 2011, 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

June 6, 2012

Grant Thornton LLP

Chartered accountants

Licensed public accountants

The Incorporated Synod of the Diocese of Algoma

Statement of Financial Position

December 31	2011	2010
Assets		
General Fund		
Cash (Note 3)	\$ 325,070	\$ 392,134
Accounts receivable, net of allowance for doubtful accounts of \$60,800 (2010: \$76,575)	160,190	81,335
Loans receivable	17,130	19,291
Real estate	28,052	28,052
Receivable from other funds	<u>19,622</u>	<u>23,993</u>
	<u>550,064</u>	<u>544,805</u>
Church Workers' Transportation Fund (CWTF)		
Cash	60	32,244
Deposit held in consolidated investment fund	146,035	145,413
Loans receivable	<u>56,775</u>	<u>20,873</u>
	<u>202,870</u>	<u>198,530</u>
Archbishop Wright Building Fund (AWBF)		
Cash	8,047	51,701
Deposit held in consolidated investment fund	1,333,868	1,269,163
Loans receivable	447,134	446,415
Real estate held for future development, at cost	<u>13,668</u>	<u>12,905</u>
	<u>1,802,717</u>	<u>1,780,184</u>
Special Purpose Funds		
Cash and treasury bills	300,659	437,203
Accrued interest receivable	17,290	14,628
Marketable securities	5,447,110	5,396,085
Mortgages receivable (Note 4)	7,028	7,800
Receivable from other funds	<u>24,032</u>	<u>41,569</u>
	<u>5,796,119</u>	<u>5,897,285</u>
	<u>\$ 8,351,770</u>	<u>\$ 8,420,804</u>

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma

Statement of Financial Position

December 31

2011

2010

Liabilities and Fund Balances

General Fund

Accounts payable and accruals	\$ 93,201	\$ 56,360
Payable to other funds	25,829	43,366
Clergy moving fund	24,918	24,918
Real estate fund	28,052	28,052
Fund balance, operations	<u>378,064</u>	<u>392,109</u>
	<u>550,064</u>	<u>544,805</u>

Church Workers' Transportation Fund (CWTF)

Payable to other funds	1,698	98
Fund balance	<u>201,172</u>	<u>198,432</u>
	<u>202,870</u>	<u>198,530</u>

Archbishop Wright Building Fund (AWBF)

Payable to other funds	1,078	1,127
Fund balance	<u>1,801,639</u>	<u>1,779,057</u>
	<u>1,802,717</u>	<u>1,780,184</u>

Special Purpose Funds

Payable to other funds	15,049	20,971
Consolidated investment fund	<u>5,781,070</u>	<u>5,876,314</u>
	<u>5,796,119</u>	<u>5,897,285</u>
	<u>\$ 8,351,770</u>	<u>\$ 8,420,804</u>

Contingencies (Note 5)

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 2011 2010

Revenue

Anglican Church Women	\$ 9,000	\$ 10,000
Apportionments	1,257,659	1,257,659
Donations for Algoma Anglican	9,269	7,776
Interest on endowment investments	29,714	32,954
Miscellaneous	<u>21,793</u>	<u>11,345</u>
	<u>1,327,435</u>	<u>1,319,734</u>

Expenses

Algoma Anglican	25,191	26,004
Clergy moving	-	10,430
Diocesan programs and other	74,108	83,423
General Synod apportionment	300,000	290,000
Interest and bank charges	763	1,144
Legal	423	3,073
Missions to Seafarers	8,500	8,500
New initiatives	28,114	18,676
Printing, stationery and office	50,941	56,820
Property maintenance	95,545	37,985
Provision for doubtful accounts	10,174	(108,843)
Salaries, wages and benefits	542,150	571,191
Stipends, grants and pensions (Note 6)	115,620	109,734
Synod costs	13,116	10,000
Theological education assistance	14,450	14,150
Travel	<u>62,385</u>	<u>64,348</u>
	<u>1,341,480</u>	<u>1,196,635</u>

Excess of (expenses over revenue) revenue over expenses	\$ <u>(14,045)</u>	\$ <u>123,099</u>
---	--------------------	-------------------

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

2011

2010

Cash derived from (applied to)

Operating

Excess of (expenses over revenue) revenue over expenses	\$ (14,045)	\$ 123,099
Change in non-cash operating working capital		
Accounts receivable	(78,855)	(10,770)
Loans receivable	2,161	1,229
Receivable from other funds	4,371	(20,802)
Accounts payable and accruals	36,841	(9,543)
Payable to church workers' transportation fund	-	(9,077)
Payable to other funds	<u>(17,537)</u>	<u>1,279</u>
	<u>(67,064)</u>	<u>75,415</u>
Other		
Transfer from church workers' transportation fund for theological education	<u>-</u>	<u>9,077</u>
Net (decrease) increase in cash position	(67,064)	84,492
Cash position		
Beginning of year	<u>392,134</u>	<u>307,642</u>
End of year	<u>\$ 325,070</u>	<u>\$ 392,134</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

2011

2010

Balance, beginning of year	\$ 392,109	\$ 259,933
Transfer from church workers' transportation fund for theological education	-	9,077
Excess of revenue over expenses (expenses over revenue) from operations	<u>(14,045)</u>	<u>123,099</u>
Balance, end of year	<u>\$ 378,064</u>	<u>\$ 392,109</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

2011

2010

Balance, beginning of year	<u>\$ 198,432</u>	<u>\$ 199,810</u>
Revenue		
Capital Gains	168	1,057
Fair market adjustment on held for trading investments	-	2,336
Interest		
Loans	2,104	1,579
Investments and other	4,532	4,887
Recovery of bad debt	115	361
	<u>6,919</u>	<u>10,220</u>
Expenses		
Bad debt	-	1,122
Fair market adjustment on held for trading investments	2,685	-
Transfer to general fund for theological education	-	9,077
Administrative services	1,494	1,399
	<u>4,179</u>	<u>11,598</u>
Balance, end of year	<u>\$ 201,172</u>	<u>\$ 198,432</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

2011

2010

Balance, beginning of year	<u>\$ 1,779,057</u>	<u>\$ 1,699,544</u>
Revenue		
Capital gain	1,117	9,044
Donation	150	-
Fair market adjustment on held for trading investment	-	20,287
Interest		
Loans	21,542	22,528
Investments and other	<u>41,111</u>	<u>42,524</u>
	<u>63,920</u>	<u>94,383</u>
Expenses		
Fair market adjustment on held for trading investment	25,055	-
Administrative expenses	13,529	12,381
Property expenses	<u>2,754</u>	<u>2,489</u>
	<u>41,338</u>	<u>14,870</u>
Balance, end of year	<u>\$ 1,801,639</u>	<u>\$ 1,779,057</u>

See accompanying notes to the financial statements.

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 2011	Total 2010
Balance, beginning of year	\$ 2,325,257	\$ 2,136,481	\$ 1,269,163	\$ 145,413	\$ 5,876,314	\$ 5,587,010
Revenue						
Capital gains	3,153	2,545	1,117	168	6,983	42,721
Interest - investments and other	68,756	68,926	41,093	4,523	183,298	202,167
Transfers in	213,783	12,029	60,000	-	285,812	222,238
Fair market adjustment on investment held for trading	-	-	-	-	-	102,780
Donations and other	3,435	11,527	-	-	14,962	3,511
Mortgage receivable interest accretion	-	-	-	-	-	9,850
	<u>289,127</u>	<u>95,027</u>	<u>102,210</u>	<u>4,691</u>	<u>491,055</u>	<u>583,267</u>
Expenses						
Administrative services	20,111	20,029	12,450	1,384	53,974	51,163
Fair market adjustment on investment held for trading	76,769	70,536	25,055	2,685	175,045	-
Transfers out	-	-	-	-	-	39,526
Disbursements for designated purposes	<u>322,447</u>	<u>34,833</u>	<u>-</u>	<u>-</u>	<u>357,280</u>	<u>203,274</u>
	<u>419,327</u>	<u>125,398</u>	<u>37,505</u>	<u>4,069</u>	<u>586,299</u>	<u>293,963</u>
Balance, end of year	\$ 2,195,057	\$ 2,106,110	\$ 1,333,868	\$ 146,035	\$ 5,781,070	\$ 5,876,314

See accompanying notes to the financial statements.

The Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2011

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.

Cash and cash equivalents

Cash consists of balances held on deposit with chartered banks.

Deposits held in consolidated investment fund

Deposits held in consolidated investment fund consist of marketable securities traded in active markets.

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.

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 Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2011

2. Summary of significant accounting policies (continued)

Financial assets and liabilities (continued)

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 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 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, 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.

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles 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.

3. Short term investments

The Diocese holds short-term investments in a Guaranteed Investment Certificate with interest rates of .7%. The short-term investment balance at year end is \$101,250 (2011: \$100,000) and matures December 2012.

The Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2011

4. 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.

5. Contingencies

The Diocese has guaranteed a mortgage held by a not for profit corporation to a maximum of \$142,521. 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 are outstanding at year end. The outcome or settlement amount of any of the 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.

6. Stipends, grants and pensions

Stipends, grants and pensions include \$41,500 (2010: \$43,331) 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 \$3,008,247 (2010: \$2,985,265).

7. 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% (2010: 11.2%). The pension expense for the year amounted to \$61,136 (2010: \$54,174).

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, 2011, no amount of the facility was utilized.

The Incorporated Synod of the Diocese of Algoma

Notes to the Financial Statements

December 31, 2011

10. Capital disclosures

The Diocese's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide services. In the management of capital, the Diocese includes the balance in fund balances. The Diocese manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Diocese may acquire or dispose of assets, or adjust the amount of cash and cash equivalents.