

Financial Statements of

**THE DIOCESAN SYNOD OF
NOVA SCOTIA AND PRINCE
EDWARD ISLAND**

Year ended December 31, 2017

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

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December 31, 2017

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THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Statement of Revenues and Expenditures

Year ended December 31, 2017, with comparative information for 2016

	Operating Fund	Church Extension Fund	Total 2017	Total 2016
Revenues:				
Allotment revenue	\$ 2,030,776	\$ -	\$ 2,030,776	\$ 2,074,258
Unrestricted endowment investment income	173,113	-	173,113	173,133
Loan, Investment, & Other Income	5,967	97,424	103,391	123,078
Insurance recovery	24,010	-	24,010	23,757
NSOM fees	4,434	-	4,434	4,941
Inglis Foundation income	57,531	-	57,531	57,265
Clergy wellness	-	-	-	8,338
Amortization of deferred capital contributions	3,815	-	3,815	3,815
	2,299,646	97,424	2,397,070	2,468,585
Expenses:				
Episcopal ministry	405,500	-	405,500	379,267
Discernment	44,805	-	44,805	52,067
Formation	66,429	-	66,429	98,112
Clergy support	268,794	-	268,794	311,004
Other healthy leadership	53,933	-	53,933	38,581
Mission, outreach	11,820	-	11,820	13,270
Youth and family ministry	104,728	-	104,728	101,333
Healthy parishes and parishioners	77,168	-	77,168	56,104
Financial management and development	40,530	-	40,530	30,513
Human resources	990	-	990	935
Diocesan Administration - Other major expense categories	244,959	-	244,959	402,297
Diocesan administration - operating	328,194	-	328,194	363,544
General and Provincial synods	423,042	-	423,042	429,997
Miscellaneous committees and task groups	2,135	-	2,135	6,141
Bad debt expense	65,739	-	65,739	49,594
Commissions	-	22,905	22,905	45,993
Loss on sale of investments	-	43,157	43,157	10,878
	2,138,766	66,062	2,204,828	2,389,630
Excess of revenues over expenditures	\$ 160,880	\$ 31,362	\$ 192,242	\$ 78,955

See accompanying notes to financial statements.

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Statement of Changes in Net Assets

Year ended December 31, 2017, with comparative information for 2016

	Main Operating Fund	Capital Campaign Funds	Bishop's Action Appeal Funds	Total Operating Fund	Endowment and Trust Funds	Church Extension Fund	Total 2017	Total 2016
Balance, beginning of year	\$ 2,028,952	\$ 139,308	\$ 31,708	\$ 2,199,968	\$ 31,426,051	\$ 4,259,373	\$ 37,885,392	\$ 36,187,698
Excess of revenues over expenditures	160,880	-	-	160,880	-	31,362	192,242	78,955
Unrealized gain on investments	-	-	-	-	2,752,866	-	2,752,866	583,509
Realized (losses) gains on investments	-	-	-	-	(696,430)	-	(696,430)	391,531
Restricted endowment (decrease) increase	-	-	-	-	(14,733)	-	(14,733)	627,042
Trustee transfer (net)	-	-	-	-	6,197	-	6,197	23,314
Fund withdrawals	(1,497)	-	600	(897)	-	-	(897)	(7,972)
Unrestricted endowment increase	-	-	-	-	35,374	-	35,374	1,315
Balance, end of year	\$ 2,188,335	\$ 139,308	\$ 32,308	\$ 2,359,951	\$ 33,509,325	\$ 4,290,735	\$ 40,160,011	\$ 37,885,392

See accompanying notes to financial statements.

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2017

1. Significant accounting policies (continued):

(b) Revenue recognition:

The Synod follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenues of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as a direct increase in endowment net assets.

(c) Cash and cash equivalents:

Cash and cash equivalents represent short-term amounts on deposit with a financial institution with original maturities of three months or less.

(d) Equipment:

Equipment is recorded at cost. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the Synod's ability to provide services, its carrying amount is written down to its residual value. Amortization is based on their estimated useful lives using the following methods, rates and terms:

Asset	Basis	Rate
Equipment	Declining balance	30%

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Synod has not elected to carry any such financial instruments at fair value.

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2017

2. Accounts receivable:

	2017	2016
Allotments	\$ 1,195,529	\$ 1,378,046
Trust company	337,840	331,643
Clergy car loans	76,096	109,939
Clergy and parishes	485,661	483,019
Clergy aid loans	8,733	10,777
HST receivable	20,250	26,227
Other	1,280	5,280
	2,125,389	2,344,931
Allowance for doubtful accounts	(1,061,600)	(1,242,300)
	\$ 1,063,789	\$ 1,102,631

3. Investments:

	2017	2016
Operating Fund:		
Investment Anglican Diocesan Centre Corporation	\$ 189,909	\$ 189,909
Employee deposits (Retirement Funds)	484,234	190,539
	\$ 674,143	\$ 380,448
Church Extension Fund:		
Investments, at fair value	\$ -	\$ 1,030,619
Endowment and Trust Funds:		
Investments, at fair value	\$ 65,725,067	\$ 60,994,329

The cost base of the investments as at December 31, 2017 was \$51,902,849 (2016 - \$49,524,850).

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2017

8. Financial instruments:

Risk management relates to the understanding and active management of all areas of the Synod's activities and the associated operating risks. The Synod is primarily exposed to interest rate, market, credit and liquidity risks and has policies and procedures that establish target asset mix. The Synod diversification of investments within categories, and set limits on investments and credit quality.

WHAT
ABOUT
CURRENCY
RISK?

(a) Interest rate risk:

The Synod is exposed to interest rate risk on its fixed interest rate financial instruments. The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. Changes in interest rates may also affect the value of equity securities.

(b) Market risk:

The risks associated with the pooled funds are the risks associated with the securities in which the pooled funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities. The Synod manages this risk through controls to monitor and limit concentration levels. Approximately 45% of investments are in securities. There has been no change to the risk exposure from 2016.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Synod is exposed to credit risk with respect to accounts receivable, mortgages receivable, and cash and cash equivalents. The Synod assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The Synod holds cash balances with reputable Tier 1 financial institutions.

The Synod is also exposed to credit risk on its fixed income investments as a default by the bond issuer would cause a financial loss for the Synod. The Synod mitigates this risk by restricting fixed income investments to instruments with high quality credit ratings assigned by a well-recognized credit agency, and by limiting exposure to individual investments. There has been no change to the risk exposures since 2016.

(d) Liquidity risk:

Liquidity risk is the risk that the Synod will not be able to meet a demand for cash or fund its obligations as they come due. The Synod meets its liquidity requirements by preparing and monitoring forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash. There has been no change to the risk exposures since 2016.

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Schedule of Revenues and Expenditures

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Episcopal Ministry		
Capital campaign revenues (program support):		
Clergy wellness	\$ -	\$ 8,338
	\$ -	\$ 8,338
Clergy Support		
Synod operations:		
Episcopal, Administration, Hospital: Stipend, Salary & Benefits	\$ 662,094	\$ 645,025
Travel	17,349	16,957
Bishop's discretionary fund	6,312	3,880
Bank charges	14,770	14,411
Uncollectible receivables	65,739	49,594
Rent (including caretaker costs)	35,424	35,287
Telephone	3,297	3,233
Insurance - Program Administration	21,019	30,516
Postage	9,320	10,817
Stationery and copier costs	22,253	23,760
Miscellaneous	22,570	26,591
Audit	19,440	22,853
Legal	4,002	13,227
Computer maintenance and technical support	20,447	19,288
Committee meetings and travel	26,056	29,386
Director's insurance	5,792	5,577
	\$ 955,884	\$ 950,402
Other Major Expense Categories		
General and Provincial Synods:		
General Synod assessment	\$ 400,000	\$ 400,000
General Synod accommodation	-	5,449
Provincial Synod assessment	16,542	16,542
Lambeth conference	6,500	7,500
General Synod Expense	-	506
	\$ 423,042	\$ 429,997