



Financial Statements

The Synod of the Diocese of Calgary

December 31, 2018

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Independent auditor's report

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To the Members of The Synod of the Diocese of Calgary

Opinion

We have audited the financial statements of **The Synod of the Diocese of Calgary** ("the Diocese"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of The Synod of the Diocese of Calgary as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Diocese in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other matters

The financial statements of The Synod of the Diocese of Calgary as at and for the year December 31, 2017 were unaudited and subject to a review by another firm of chartered accountants who issued an unmodified review engagement report on those financial statements dated June 19, 2018.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Diocese's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Diocese or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Diocese's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Diocese's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Diocese's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Diocese to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Calgary, Canada
June 18, 2019


Chartered Professional Accountants

The Synod of the Diocese of Calgary

Statement of Financial Position

December 31

2018
(Audited)

2017
(Unaudited)

| | Operating Fund | Capital Fund | Restricted Fund | Total | Total |
|--|----------------------|--------------------|------------------|----------------------|----------------------|
| Assets | | | | | |
| Current | | | | | |
| Cash | 533,837 | - | 3,723 | 537,560 | 381,043 |
| Accounts receivable | 129,600 | - | - | 129,600 | 90,761 |
| Loans receivable (Note 4) | 68,491 | - | - | 68,491 | 84,409 |
| Due from (to) other funds | 988,689 | (1,107,857) | 119,168 | - | - |
| Prepaid expenses | 19,394 | - | - | 19,394 | 9,015 |
| | \$ 1,740,011 | (1,107,857) | 122,891 | \$ 755,045 | \$ 565,228 |
| Long-term | | | | | |
| Loans receivable (Note 4) | 279,031 | 329,500 | - | 608,531 | 648,531 |
| Deposits | - | - | - | - | 10,379 |
| Investments (Note 5) | 15,381,476 | 6,424,629 | 1,059,968 | 22,866,073 | 23,633,785 |
| Tangible capital assets (Note 6) | - | 17,876,766 | - | 17,876,766 | 18,451,888 |
| | \$ 17,400,518 | 23,523,038 | 1,182,859 | \$ 42,106,415 | \$ 43,309,811 |
| Liabilities | | | | | |
| Current | | | | | |
| Deferred revenue | 25,000 | - | - | 25,000 | 25,155 |
| Accounts payable and accrued liabilities | 318,900 | - | - | 318,900 | 249,041 |
| Deposits received | - | 50,000 | - | 50,000 | 50,000 |
| | \$ 343,900 | 50,000 | - | \$ 393,900 | \$ 324,196 |
| Long-term | | | | | |
| Managed accounts (Note 7) | 11,227,001 | - | - | 11,227,001 | 11,285,699 |
| | \$ 11,570,901 | 50,000 | - | \$ 11,620,901 | \$ 11,609,895 |
| Fund balances | | | | | |
| Invested in tangible capital assets | - | 17,876,766 | - | 17,876,766 | 18,781,388 |
| Internally restricted (Note 9) | 3,601,657 | 5,596,272 | - | 9,197,929 | 10,656,968 |
| Externally restricted (Note 8) | - | - | 1,182,859 | 1,182,859 | 1,204,164 |
| Unrestricted | 2,227,960 | - | - | 2,227,960 | 1,057,396 |
| | 5,829,617 | 23,473,038 | 1,182,859 | 30,485,514 | 31,699,916 |
| | \$ 17,400,518 | 23,523,038 | 1,182,859 | \$ 42,106,415 | \$ 43,309,811 |

Approved on behalf of the Diocese

Bishop

Director of Finance

See accompanying notes and schedules to the financial statements

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The Synod of the Diocese of Calgary

Statement of Operations

Year ended December 31

2018
(Audited)

2017
(Unaudited)

| | Operating Fund | Capital Fund | Restricted Fund | Total | Total |
|--|---------------------|------------------|-----------------|-----------------------|----------------|
| Revenues | | | | | |
| Apportionment from parishes | 1,325,242 | - | - | 1,325,242 | 1,302,548 |
| Less: apportionment reductions | (124,764) | - | - | (124,764) | (165,159) |
| | \$ 1,200,478 | - | - | \$ 1,200,478 | \$ 1,137,389 |
| Donations and contributions | 4,388 | - | - | 4,388 | 2,617 |
| Interest and investment income | 220,050 | 394,135 | 67,541 | 681,726 | 784,549 |
| Trust and restricted contributions | 41,770 | 1,317 | 13,761 | 56,848 | 1,222,493 |
| Unrealized (losses) gains on investments | (213,427) | (388,276) | (64,136) | (665,839) | 11,906 |
| Other income | 354 | 15,000 | - | 15,354 | 22,101 |
| | \$ 1,253,613 | 22,176 | 17,166 | \$ 1,292,955 | \$ 3,181,055 |
| Expenses | | | | | |
| Inside the Diocese | 124,297 | - | - | 124,297 | 123,946 |
| Outside the Diocese | 360,571 | - | - | 360,571 | 372,761 |
| Diocese office | 1,146,279 | 4,920 | - | 1,151,199 | 731,986 |
| Amortization | - | 581,025 | - | 581,025 | 594,927 |
| Trust and restricted withdrawals | 143,156 | 204,562 | 36,915 | 384,633 | 3,291,536 |
| | 1,774,303 | 790,507 | 36,915 | 2,601,725 | 5,115,156 |
| Less: recoveries | (94,368) | - | - | (94,368) | (54,617) |
| | \$ 1,679,935 | 790,507 | 36,915 | \$ 2,507,357 | \$ 5,060,539 |
| Deficiency of revenues over expenses before other income | \$ (426,322) | (768,331) | (19,749) | \$ (1,214,402) | \$ (1,879,484) |
| Other income | | | | | |
| Gain on sale of tangible capital assets | - | - | - | - | 2,326,588 |
| (Deficiency) excess of revenues over expenses | \$ (426,322) | (768,331) | (19,749) | \$ (1,214,402) | \$ 447,104 |

See accompanying notes and schedules to the financial statements

The Synod of the Diocese of Calgary

Statement of Changes in Fund Balances

Year ended December 31

2018
(Audited)

2017
(Unaudited)

| | Operating Fund | Capital Fund | Restricted Fund | Total | Total |
|---|---------------------|-------------------|------------------|-----------------------------|----------------------|
| Fund balances, beginning of year | \$ 4,865,541 | 25,630,211 | 1,204,164 | \$ 31,699,916 | \$ 31,252,812 |
| (Deficiency) excess of revenues over expenses | (426,322) | (768,331) | (19,749) | (1,214,402) | 447,104 |
| Inter-fund transfers | 1,390,398 | (1,388,842) | (1,556) | - | - |
| Fund balances, end of year | <u>\$ 5,829,617</u> | <u>23,473,038</u> | <u>1,182,859</u> | <u>\$ 30,485,514</u> | <u>\$ 31,699,916</u> |

The Synod of the Diocese of Calgary

Statement of Cash Flows

Year ended December 31

2018
(Audited) 2017
(Unaudited)

| | Operating Fund | Capital Fund | Restricted Fund | Total | Total |
|---|-------------------|--------------|-----------------|-----------------------|-------------------|
| Increase (decrease) in cash | | | | | |
| Operating | | | | | |
| (Deficiency) excess of revenues over expenses | \$ (426,322) | (768,331) | (19,749) | \$ (1,214,402) | \$ 447,104 |
| Gain on sale of tangible capital assets | - | - | - | - | (2,326,588) |
| Amortization | - | 581,025 | - | 581,025 | 594,927 |
| Unrealized losses (gains) on investments | 213,427 | 388,276 | 64,136 | 665,839 | (11,906) |
| | (212,895) | 200,970 | 44,387 | 32,462 | (1,296,463) |
| Change in non-cash working capital items | | | | | |
| Accounts receivable | (38,839) | - | - | (38,839) | 1,486,516 |
| Prepaid expenses | (10,379) | - | - | (10,379) | (643) |
| Deposits | 10,379 | - | - | 10,379 | - |
| Deferred revenue | - | (154) | - | (154) | (4,845) |
| Accounts payable and accrued liabilities | 69,859 | - | - | 69,859 | (1,115,007) |
| | (181,875) | 200,816 | 44,387 | 63,328 | (930,442) |
| Financing activities | | | | | |
| Deposits received | - | - | - | - | 50,000 |
| Repayment of loans receivable | 55,918 | - | - | 55,918 | 18,239 |
| | 55,918 | - | - | 55,918 | 68,239 |
| Investing activities | | | | | |
| Purchase of tangible capital assets | - | (5,903) | - | (5,903) | - |
| Proceeds on sale of tangible capital assets | - | - | - | - | 3,031,166 |
| Sale (purchase) of investments, net | 282,483 | (194,913) | (44,396) | 43,174 | (3,513,767) |
| | 282,483 | (200,816) | (44,396) | 37,271 | (482,601) |
| Increase (decrease) in cash | 156,526 | - | (9) | 156,517 | (1,344,804) |
| Cash, beginning of year | 377,311 | - | 3,732 | 381,043 | 1,725,847 |
| Cash, end of year | \$ 533,837 | - | 3,723 | \$ 537,560 | \$ 381,043 |

See accompanying notes and schedules to the financial statements

The Synod of the Diocese of Calgary

Notes to the Financial Statements

December 31, 2018

1. PURPOSE OF THE ORGANIZATION

The Synod of the Diocese of Calgary, Anglican Church of Canada (known as "The Synod of the Diocese of Calgary" or "Diocese" and operating as "The Anglican Diocese of Calgary") is a religious organization that consists of the Bishops of the Diocese; the clergy of the Diocese who hold the license of the Bishop; those representatives of the laity who have been duly authorized under the Constitution of the Synod to be members of the Diocesan Synod (including members elected by the Parishes and members appointed by the Bishop); and, as officers of the Diocesan Synod, the Dean, the Executive Officer, the Chancellor, the Vice-Chancellor, the Solicitor, the Registrar, the Secretary and the Treasurer. The Synod of the Diocese of Calgary was incorporated under a private ordinance of incorporation (Ordinances of the North-West Territories, 1891 and amended by Statutes of Alberta). As a registered charity under Section 149(1) of the Income Tax Act, the Diocese is exempt from income tax; therefore, no provision for income tax is recorded in the financial statements.

The Diocese provides administrative, pastoral, liturgical, and ecclesiastical oversight and support for the Anglican congregations within its geographic boundaries (southern Alberta).

2. RELATED ENTITIES

The Diocese exercises control over the assets of its 72 congregations by virtue of its ability to approve or disallow any purchase, modification, alteration, or financing of the land and buildings within the Diocese. However, each of the congregations is individually immaterial to the operation of the Diocese and therefore no financial information relating to the operation of individual congregations is required to be presented in these financial statements.

The Diocese also exercises control over a number of related operations or programs including the Dinka congregation, Cursillo, the Refugee Committee and the Companion Diocese Committee. However, these entities are all managed and operated separately from the Diocese and, since they are individually immaterial to the operation of the Diocese, no financial information relating to the day-to-day operation of these entities is presented in these financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The Diocese follows the restricted fund method of accounting for contributions.

The Operating Fund accounts for the Diocese's program delivery and administrative activities. This fund reports unrestricted resources, and resources restricted internally by the Diocese.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Diocese's tangible capital assets, including the land and buildings of its congregations.

The Externally Restricted Fund reports those resources that are restricted in use by the donor. Most restricted resources are comprised of trust funds that have been established by donors who have specified the purpose and use of both the capital and income of the funds.

The Synod of the Diocese of Calgary
Notes to the Financial Statements
December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Apportionment from parishes is recognized in revenue in the year in which it is assessed.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Interest and investment income is recognized in the period in which it is earned. Realized and unrealized gains and losses on investments are recognized in the period in which they arise.

Trust and restricted contributions include amounts received from various sources (including parishes and donors) for certain specific purposes set out as either trust conditions or other restrictions on their use. Because ownership of the funds is transferred to the Diocese, these amounts are reflected in the Diocese's statement of operations in the period in which they are received. As trust conditions or other restrictions on the use of these funds are met, the amounts are withdrawn and recorded in the Diocese's statement of operations as an expense in trust and restricted withdrawals.

Contributed assets and services

Contributed assets are recorded at fair market value when received and when the fair market value can reasonably be estimated. When fair market value cannot be reasonably estimated, the asset is recorded at a nominal value.

Due to the difficulty in determining their fair value, contributed services provided by volunteers (including both time and expertise) are not recognized in the financial statements.

Tangible Capital Assets

The Diocese, through its Ordinance of Incorporation together with its Constitution and Canons, controls, holds in trust, or owns all Diocesan and Parish real property. The Diocese has acquired the applicable interest in most of these properties with the assistance of the congregations in the Diocese and the Diocese's interest is deemed to take effect when the property is available for use. In situations where the congregation has ceased to operate, the ownership of the property reverts to the Diocese. The Diocese also owns other property used for particular purposes. All land and buildings are recorded at cost, with cost being established using available records. For older properties, a best estimate or, in the absence of records, a nominal value has been assigned. Properties that have been acquired by bequest or gift are recorded at fair market value at the date of contribution. When fair value cannot be reasonably estimated, the property is recorded at nominal value. Also, when fair value is not available, contributed tangible capital assets are recognized at nominal value.

Amortization is provided on a straight-line basis (beginning in the calendar quarter following acquisition) over the assets' useful lives as follows:

| | |
|---|----------|
| Buildings | 40 years |
| Furniture, fixtures, and equipment | 5 years |
| Computer equipment (including software) | 3 years |

Tangible capital assets are tested for impairment whenever a change in events or circumstances indicates that the carrying value may not be recoverable. Any resulting impairment loss is recognized in the period it is determined.

The Synod of the Diocese of Calgary
Notes to the Financial Statements
December 31, 2018

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans Receivable

Loans receivable are initially recorded in the accounts at the principal amount outstanding. The loan balances are regularly assessed for collectability and appropriate allowances are recorded, if required.

Investments

Investments consist of pooled government and industrial bonds, pooled equity funds and short-term cash deposits. Investments are recorded at market value with any unrealized gains or losses recognized in income immediately.

Use of Estimates

The preparation of financial statements in conformity 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues and expenses during the reporting period. The most significant of these estimates are related to the collectability of accounts and loans receivable, estimated useful lives of tangible capital assets and the corresponding potential impairment and the accrual of interest and liabilities. Actual results could differ significantly from these estimates.

Financial Instruments

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently recorded at fair value. All other financial instruments are recorded at cost or amortized cost, unless management has elected to record at fair value. The Diocese has not elected to carry any such financial instruments at fair value.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. For all other financial instruments, the transaction costs are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the straight-line method and recognized in the excess of revenue over expenses as interest income or expense.

With respect to financial assets measured at cost or amortized cost, the Diocese recognizes in the excess of revenue over expenses an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written down asset decreases and the decrease can be related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed in the excess of revenue over expenses in the period the reversal occurs.

The Diocese does not engage in hedging activities.

Government Remittances

Included in accounts receivable are government remittances recoverable aggregating \$8,328 (2017 – \$10,622). Included in accounts payable are government remittances payable aggregating \$909 (2017 – \$Nil).

The Synod of the Diocese of Calgary
Notes to the Financial Statements
December 31, 2018

4. LOANS RECEIVABLE

Operating Fund

| | Balance December 31, 2017 \$ | Principal Received \$ | Balance December 31, 2018 \$ | Interest Received \$ | Interest Rate (per annum) | Maturity Date |
|---------------------------|---|--------------------------------------|---|-------------------------------------|--|--------------------------|
| Christ Church, Calgary | 150,000 | 40,000 | 110,000 | 4,588 | 2.70% | Dec. 31, 2019 |
| Holy Cross, Calgary | 169,031 | - | 169,031 | 5,424 | 2.70% | Jan. 31, 2022 |
| Holy Trinity, Calgary | 84,409 | 15,918 | 68,491 | 2,082 | 2.70% | On demand |
| Total receivable | 403,440 | 55,918 | 347,522 | | | |
| Less: current portion | 84,409 | | 68,491 | | | |
| | <u>319,031</u> | | <u>279,031</u> | | | |

The above loans receivable in the Operating Fund are unsecured.

The loans receivable included in the Capital Fund are due from certain priests and are secured by the buildings in which the funds were advanced to acquire. These loans are repaid upon disposition of the respective property.

5. INVESTMENTS

Consolidated Investment Fund

The Diocese operates a "Consolidated Investment Fund" to hold long-term investments on behalf of the three funds (Operating, Capital and Externally Restricted) and related entities such as Parishes and Trusts. Amounts belonging to related entities are reported as Managed Accounts.

The following table summarizes the annual transactions related to the investments, which are held with a third party investment manager:

| | 2018 \$ | 2017 \$ |
|---------------------------------------|--------------------|--------------------|
| Market value, January 1 | 23,633,785 | 18,116,383 |
| Interest and dividend income | 538,553 | 529,970 |
| Realized capital gain | 950,742 | 1,006,643 |
| Fees and expenses | (73,470) | (66,607) |
| Net transfers in/(out) | (790,000) | 3,965,000 |
| Unrealized gain/(loss) on investments | (1,393,537) | 82,396 |
| Market value, December 31 | <u>22,866,073</u> | <u>23,633,785</u> |

The above investments, managed by Mawer Investment Management Ltd., includes \$21,927 of unrestricted investments (2017 – \$388,592).

The Synod of the Diocese of Calgary
Notes to the Financial Statements
December 31, 2018

5. INVESTMENTS (Continued)

All investments are held in “pooled” funds with the investment manager. At the end of 2018, the types of investments held were:

| | 2018 | 2017 |
|----------------------|-------------|-------------|
| Cash & equivalents | 6% | 5% |
| Canadian Income | 56% | 53% |
| Canadian Equity | 14% | 16% |
| US Equity | 11% | 11% |
| International Equity | 13% | 15% |

Cost of Investments

The comparison between market value and cost for the consolidated investments is shown in the following table:

| | December 31, 2018 | December 31, 2017 |
|---|------------------------------|------------------------------|
| | \$ | \$ |
| Market value | 22,866,073 | 23,633,785 |
| Cost | 21,390,586 | 20,764,761 |
| Excess in market value compared to cost | 1,475,487 | 2,869,024 |

6. TANGIBLE CAPITAL ASSETS

| | December 31, 2018 | | |
|------------------------------------|--------------------------|-------------------------------------|---------------------------|
| | Total Cost | Accumulated Amortization | Net Book Value |
| | \$ | \$ | \$ |
| Land – Owned by Parishes | 67,608 | - | 67,608 |
| Land – In trust for Parishes | 2,119,005 | - | 2,119,005 |
| Land – Other | 2,000 | - | 2,000 |
| Buildings – Owned by Parishes | 9,377,372 | 2,304,414 | 7,072,958 |
| Buildings – In trust for Parishes | 15,350,589 | 6,740,988 | 8,609,601 |
| Furniture, fixtures, and equipment | 33,188 | 33,188 | - |
| Computer equipment | 26,948 | 21,354 | 5,594 |
| | 26,976,710 | 9,099,944 | 17,876,766 |

The Synod of the Diocese of Calgary
Notes to the Financial Statements
December 31, 2018

6. TANGIBLE CAPITAL ASSETS (Continued)

| | December 31, 2017 | | |
|------------------------------------|---------------------|-----------------------------------|-------------------------|
| | Total Cost \$ | Accumulated Amortization \$ | Net Book Value \$ |
| Land – Owned by Parishes | 67,608 | – | 67,608 |
| Land – In trust for Parishes | 2,119,005 | – | 2,119,005 |
| Land – Other | 2,000 | – | 2,000 |
| Buildings – Owned by Parishes | 9,377,372 | 2,111,189 | 7,266,183 |
| Buildings – In trust for Parishes | 15,350,279 | 6,360,896 | 8,989,383 |
| Furniture, fixtures, and equipment | 33,188 | 31,259 | 1,929 |
| Computer equipment | 21,354 | 15,574 | 5,780 |
| | <u>26,970,806</u> | <u>8,518,918</u> | <u>18,451,888</u> |

During the year, amortization of tangible capitals assets aggregated \$581,025 (2017 - \$594,927).

7. MANAGED ACCOUNT BALANCES

The managed account balances are comprised of amounts managed by the Diocese on behalf of related entities (such as parishes and trusts). Accordingly, the market adjustments, income, deposits and withdrawals of these accounts are not reflected in the Diocese's Statement of Operations and Changes in Fund Balances.

The total liability for managed account balances is offset in the Operating Fund as follows:

| | December 31, 2018 \$ | December 31, 2017 \$ |
|----------------------------|-------------------------------------|-------------------------------------|
| Investments (Note 5) | 10,879,479 | 10,882,259 |
| Loans to parishes (Note 4) | 347,522 | 403,440 |
| | <u>11,227,001</u> | <u>11,285,699</u> |

The Synod of the Diocese of Calgary
Notes to the Financial Statements
December 31, 2018

8. EXTERNALLY RESTRICTED FUND BALANCES

Major categories of externally imposed restrictions on fund balances are as follows:

| | December 31, 2018 \$ | December 31, 2017 \$ |
|---|-------------------------------------|----------------------------|
| Pastoral care account | 263,001 | 262,795 |
| Appleby bequest account | 115,694 | 115,603 |
| Robert White memorial account | 102,544 | 102,464 |
| Florence Milligan ACW account | 91,941 | 97,642 |
| Native ministry account | 85,571 | 81,048 |
| Sower account | 76,594 | 76,534 |
| Youth ministry account | 70,147 | 83,157 |
| Clergy car loan fund | 65,440 | 65,440 |
| Parish Endowment Funds | 50,642 | 50,642 |
| St. Laurence Calgary | 48,149 | - |
| Archdeacon Tim memorial | 46,294 | - |
| Lally account | 38,903 | - |
| Gordon White memorial | 38,141 | - |
| Companion Diocese | 37,598 | - |
| Rural ministry | 25,754 | - |
| Densmore Trust | 12,430 | - |
| E.S Jackson memorial | 7,193 | - |
| Donations and other amounts for specified purposes | 3,925 | 265,941 |
| Bishop's discretionary fund | 2,898 | 2,898 |
| | <u>1,182,859</u> | <u>1,204,164</u> |

9. INTERNALLY RESTRICTED FUND BALANCES

These internally restricted amounts in the *Operating Fund* are not available for unrestricted purposes without the approval of the Diocesan Council:

| | December 31, 2018 \$ | December 31, 2017 \$ |
|---|-------------------------------------|----------------------------|
| Mission and Ministry Endowment account | 1,643,692 | 1,642,407 |
| Mission and Ministry Spending account | 952,287 | 1,051,045 |
| Amounts reserved for specified future expenses | 745,626 | 737,635 |
| Amounts restricted for various specified purposes | 121,671 | 222,095 |
| Group benefits reserve | 138,381 | 154,963 |
| | <u>3,601,657</u> | <u>3,808,145</u> |

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9. INTERNALLY RESTRICTED FUND BALANCES (Continued)

These internally restricted amounts in the *Capital Fund* are not available for unrestricted purposes without the approval of the Executive Committee of the Diocese:

| | December 31, 2018 | December 31, 2017 |
|--|------------------------------|----------------------|
| | \$ | \$ |
| Amounts restricted for various Diocesan purposes | 2,500,475 | 3,600,016 |
| Amounts restricted for various Parish purposes | 3,095,797 | 3,248,807 |
| | <u>5,596,272</u> | <u>6,848,823</u> |

10. CONTINGENCIES AND COMMITMENTS

Contingencies

From time to time the Diocese acts as guarantor for loans made to parishes that have funds or assets held by the Diocese. Currently, the Diocese is contingently liable as guarantor for the indebtedness of the following parishes.

| | December 31, 2018 | December 31, 2017 |
|------------------------|------------------------------|----------------------|
| | \$ | \$ |
| Calgary, Holy Cross | 100,000 | 100,000 |
| Calgary, Christ Church | 200,000 | 200,000 |
| | <u>300,000</u> | <u>300,000</u> |

The guarantee for Christ Church will be in effect until such time as the related funds borrowed by the parish from a Canadian chartered bank have been repaid. The guarantee for Holy Cross will be in effect until such time as the related funds borrowed by the parish from a national church organization have been repaid. In each case, the funds were borrowed by the parish to complete a renovation project and will be repaid as soon as parish fundraising efforts permit. The guarantees are unsecured. If either parish is unable to raise the necessary funds, then the Diocese could be required to pay the applicable obligation to the maximum amount noted.

Commitments

The Diocese has signed a lease agreement for office space. Under the terms of this lease, the Diocese is committed to make annual lease payments in the amount of \$89,985 from January 1, 2019 to December 31, 2020.

Credit facility

As at December 31, 2018, the Diocese has a letter of credit in the amount of \$88,000 (2017 - \$Nil) outstanding to collateralize payment for property development work done by St. Martin's Anglican Church (Calgary).

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11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Diocese's financial instruments include cash, accounts receivable, loans receivable, investments, deferred revenue, accounts payable and accrued liabilities and managed accounts. The fair values of cash, accounts receivable, deferred revenue and accounts payable and accrued liabilities approximate their carrying amounts due to the short-term nature of the balances. Investments, including those held for managed accounts, have been recorded at fair market value. Loans receivable (excluding the balance in the Capital Fund) and loans to parishes included in the managed accounts are at fixed interest rates, which reflect rates currently available in the market. Accordingly, the fair value of the debt is not materially different from the recorded value. The loan receivable in the Capital Fund is non-interest bearing and therefore the value is presented is the value expected to be received upon settlement.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Diocese's credit risk is primarily attributable to its cash, investments, accounts receivables and loans receivable. The Diocese mitigates its exposure to credit risk pertaining to cash and investments by placing its funds with reputable financial institutions and investment managers. The Diocese mitigates its exposure to accounts and loans receivable effectively through credit approval and monitoring procedures in the normal course of business.

b) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk, and other price risk. The Diocese is mainly exposed to currency risk and other price risk.

i. Currency risk

Because a portion of the Diocese's investment portfolio is denominated in foreign currencies, the Diocese is exposed to fluctuations in those currencies. At December 31, 2018, the foreign content of the investments was 24% (December 31, 2017 – 26%) (Note 5).

ii. Other price risk

A considerable portion of the Diocese financial assets is investments, which represents the Diocese's exposure to other price risk. The Diocese invests a significant portion of these assets in equity securities, such as common shares, or in equity-like securities, such as mutual funds. The value of these securities changes in response to changes in the business, financial condition, management and other relevant factors affecting the company that issued the securities, as well as changes in the general economic condition of the markets in which they operate, thereby exposing the Diocese to these fluctuations in value. The fair market value of the investments at December 31, 2018 is \$22,886,073 (December 31, 2017 – \$23,633.785) (Note 5).

12. PRIOR YEAR BALANCES

Certain of the prior year balances were reclassified to conform with the current year's financial statement presentation.