

Financial Statements of

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

Year ended December 31, 2016



**KPMG LLP**

Purdy's Wharf Tower One  
1959 Upper Water Street, Suite 1500  
Halifax NS B3J 3N2  
Canada

Telephone (902) 492-6000  
Fax (902) 492-1307  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## **INDEPENDENT AUDITORS' REPORT**

To the Diocesan Council of The Diocesan Synod of Nova Scotia and Prince Edward Island

We have audited the accompanying financial statements of The Diocesan Synod of Nova Scotia and Prince Edward Island which comprise the statement of financial position as at December 31, 2016 and the statements of revenues and expenditures, cash flows and changes in net assets for the year then ended, and notes, comprising 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 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.

### *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 our 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, we consider 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 audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Diocesan Synod of Nova Scotia and Prince Edward Island as at December 31, 2016, its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Professional Accountants, Licensed Public Accountants  
October 13, 2017  
Halifax, Canada

# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Index to Financial Statements

December 31, 2016

	<u>Page</u>
Statement of Financial Position	1
Statement of Revenues and Expenditures	2
Statement of Cash Flows	3
Statement of Changes in Net Assets	4
Notes to Financial Statements	5-10
Schedule of Revenues and Expenditures	12

# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

## Statement of Financial Position

December 31, 2016, with comparative information for 2015

	Operating Fund	Endowment and Trust Funds	Church Extension Fund	Total 2016	Total 2015
<b>Assets</b>					
Current assets:					
Cash and cash equivalents	\$ 1,196,724	\$ 1,508,313	\$ 172,929	\$ 2,877,966	\$ 4,132,643
Short term investments	1,858,007	-	-	1,858,007	1,847,910
Prepaid expenses	40,784	-	-	40,784	35,454
Accounts receivable (Note 2)	1,102,631	-	-	1,102,631	834,260
Due from Operating Fund	-	-	82,607	82,607	74,635
Due from Endowment & Trust Fund	170,459	-	-	170,459	203,330
Investments (Note 3)	4,368,605	1,508,313	255,536	6,132,454	7,128,232
Mortgages and loans receivable from parishes	380,448	60,994,329	1,030,619	62,405,396	58,426,019
Equipment (Note 4)	-	-	2,997,135	2,997,135	3,103,473
	41,465	-	-	41,465	56,461
	\$ 4,790,518	\$ 62,502,642	\$ 4,283,290	\$ 71,576,450	\$ 68,714,185
<b>Liabilities</b>					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 830,510	\$ -	\$ 23,917	\$ 854,427	\$ 571,095
Designated funds	1,658,805	-	-	1,658,805	1,625,100
Deferred capital contributions	18,628	-	-	18,628	22,443
Employee deposits	-	283,735	-	283,735	485,751
Funds held in trust for parishes	-	30,622,397	-	30,622,397	29,544,133
Due to Operating Fund	-	170,459	-	170,459	203,330
Due to Church Extension Fund	82,607	-	-	82,607	74,635
	2,590,550	31,076,591	23,917	33,691,058	32,526,487
<b>Net Assets</b>					
Clergy car loan capital	245,578	-	-	245,578	245,578
Diocesan property capital	169,293	-	-	169,293	169,293
Church Extension Fund	-	-	4,259,373	4,259,373	4,195,367
Capital Campaign Funds	139,308	-	-	139,308	147,646
Bishop's Action Appeal Funds	31,708	-	-	31,708	31,342
Unrestricted (Note 5)	1,614,081	951,081	-	2,565,162	2,548,898
Restricted	-	30,474,970	-	30,474,970	28,849,574
	2,199,968	31,426,051	4,259,373	37,885,392	36,187,698
	\$ 4,790,518	\$ 62,502,642	\$ 4,283,290	\$ 71,576,450	\$ 68,714,185

See accompanying notes to financial statements.

Approved on behalf of the Diocesan Synod of Nova Scotia and Prince Edward Island:

Diocesan Bishop

Executive Secretary of Synod



# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

## Statement of Revenues and Expenditures

Year ended December 31, 2016, with comparative information for 2015

	Operating Fund	Church Extension Fund	Total 2016	Total 2015
<b>Revenues:</b>				
Allotment revenue	\$ 2,074,258	\$ -	\$ 2,074,258	\$ 2,044,003
Unrestricted endowment investment income	173,133	-	173,133	153,674
Loan, Investment, & Other Income	2,201	120,877	123,078	118,211
Insurance recovery	23,757	-	23,757	23,210
NSOM fees	4,941	-	4,941	6,797
Ingليس Foundation income	57,265	-	57,265	57,163
Congregational development	-	-	-	15,000
Clergy wellness	8,338	-	8,338	9,884
Amortization of deferred capital contributions	3,815	-	3,815	4,567
	2,347,708	120,877	2,468,585	2,432,509
<b>Expenses:</b>				
Episcopal ministry	379,267	-	379,267	309,082
Discernment	52,067	-	52,067	56,186
Formation	98,112	-	98,112	52,409
Clergy support	311,004	-	311,004	243,431
Other healthy leadership	38,581	-	38,581	54,363
Mission, outreach	13,270	-	13,270	9,336
Youth and family ministry	101,333	-	101,333	64,076
Healthy parishes and parishioners	56,104	-	56,104	84,090
Financial management and development	30,513	-	30,513	28,278
Human resources	935	-	935	926
Diocesan Administration - Other major expense categories	402,297	-	402,297	237,954
Diocesan administration - operating	363,544	-	363,544	344,917
General and Provincial synods	429,997	-	429,997	427,770
Miscellaneous committees and task groups	6,141	-	6,141	3,481
Bad debt expense	49,594	-	49,594	36,918
Commissions	-	45,993	45,993	46,293
Loss on sale of investments	-	10,878	10,878	6,091
	2,332,759	56,871	2,389,630	2,005,601
<b>Excess of revenues over expenditures</b>	\$ 14,949	\$ 64,006	\$ 78,955	\$ 426,908

See accompanying notes to financial statements.

# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

## Statement of Cash Flows

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Operating activities:		
Excess revenues over expenditures	\$ 78,955	\$ 426,908
Items not involving cash:		
Loss on sale of investments	10,878	6,091
Amortization of capital assets	20,576	22,116
Amortization on deferred capital contributions	(3,815)	(4,567)
Change in non-cash operating working capital	9,632	159,985
Increase (decrease) in designated funds	33,705	(2,108)
	149,931	608,425
Financing activities:		
Increase in restricted endowment funds	1,035,230	1,793,751
Net contributions to funds held in trust for parishes	1,078,264	3,234,501
Deferred capital contributions	-	299
Net contributions to employee deposits	(202,016)	5,818
	1,911,478	5,034,369
Investing activities:		
Equipment additions	(5,580)	(24,888)
Repayment of mortgages and loans to parishes	106,338	154,801
Increase in investments	(3,835,622)	(5,377,225)
Increase in short-term investments	(10,097)	(1,030,103)
	(3,744,961)	(6,277,415)
Effect of foreign currency translation on cash	428,875	242,141
Change in cash and cash equivalents	(1,254,677)	(392,480)
Cash and cash equivalents, beginning of year	4,132,643	4,525,123
Cash and cash equivalents, end of year	\$ 2,877,966	\$ 4,132,643
Comprised of:		
Cash	\$ 507,939	\$ 666,335
Cash equivalents	2,370,027	3,466,308
	\$ 2,877,966	\$ 4,132,643

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, 2016, with comparative information for 2015

	Main Operating Fund	Capital Campaign Funds	Bishop's Action Appeal Funds	Total Operating Fund	Endowment and Trust Funds	Church Extension Fund	Total 2016	Total 2015
Balance, beginning of year	\$ 2,014,003	\$ 147,646	\$ 31,342	\$ 2,192,991	\$ 29,799,340	\$ 4,195,367	\$ 36,187,698	\$ 34,123,711
Excess of revenues over expenditures	14,949	-	-	14,949	-	64,006	78,955	426,908
Unrealized gain (loss) on investments	-	-	-	-	583,509	-	583,509	(522,236)
Realized gains on investments	-	-	-	-	391,531	-	391,531	1,899,167
Restricted endowment increase	-	-	-	-	627,042	-	627,042	309,335
Trustee transfer (net)	-	-	-	-	23,314	-	23,314	(24,889)
Fund withdrawals	-	(8,338)	366	(7,972)	-	-	(7,972)	(25,559)
Unrestricted endowment increase	-	-	-	-	1,315	-	1,315	1,261
Balance, end of year	\$ 2,028,952	\$ 139,308	\$ 31,708	\$ 2,199,968	\$ 31,426,051	\$ 4,259,373	\$ 37,885,392	\$ 36,187,698

See accompanying notes to financial statements.



# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements

Year ended December 31, 2016

---

## The Diocesan Synod of Nova Scotia and Prince Edward Island

The Diocesan Synod of Nova Scotia and Prince Edward Island (the "Synod"), consisting of the Bishop, the Clergy and representatives of the laity, is a body politic and corporate under The Anglican Church Act (Nova Scotia and Prince Edward Island) and is a non-taxable entity.

### 1. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit Organizations in Part III of the CPA Canada Handbook:

#### (a) Fund accounting:

The Synod maintains its accounts in accordance with the fund accounting method in order to ensure observance of restrictions, if any, placed on the resources made available to it. Resources are classified for accounting and reporting purposes into funds in accordance with specified activities or objectives.

The Synod has classified accounts with similar characteristics into major funds as follows:

- (i) The Operating Fund exists to conduct business among, and between, the parishes of the Synod, Synod office and the office of the National Church. The primary activities and duties of this fund include Episcopal support, payroll administration for the Synod and Parishes and shared insurance, legal, administrative and financial services. This fund includes all unrestricted net assets which include net assets designed for clergy car loan capital, Diocesan property capital, the Capital Campaign Funds, and the Bishop's Action Appeal Funds.
- (ii) The Endowment and Trust Funds invest financial assets of the parishes and Synod in an investment portfolio managed by a professional fund manager. The trust fund is open on a voluntary basis to all parishes that are overseen by the Synod. The restricted portion accounts for money externally designated for specific projects and/or purposes.
- (iii) The Church Extension Fund exists to prudently grant mortgages and loans based on need to parishes that can demonstrate resources and parish stability sufficient to service additional debt.



# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2016

---

## 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, 2016

---

## 1. Significant accounting policies (continued):

### (f) Transaction costs:

Transaction costs related to financial instruments measured at fair value subsequent to initial recognition are expensed as incurred. Transaction costs related to other financial instruments 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 effective interest method. Any premium or discount related to an instrument measured at amortized cost is amortized over the expected life of the item using the effective interest method and recognized in revenues and expenditures as interest income or expense. With respect to financial assets measured at cost or amortized cost, the Synod recognizes in net earnings an impairment loss, if any, when there are indicators of impairment and 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 to net earnings in the period the reversal occurs.

### (g) Designated funds:

The balance of the Designated Funds in the Operating Fund liabilities represents unexpended balances of income from Endowment and Trust Funds which are restricted as to use and collections which have not yet been used for their designated purpose.

### (h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amount of sales and expenses during the reporting periods presented. Significant items to such estimates and assumptions include the allowance for doubtful accounts. Actual results may differ from those estimates.

# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 2. Accounts receivable:

	2016	2015
Allotments	\$ 1,378,046	\$ 1,522,217
Trust company	331,643	308,329
Clergy car loans	109,939	146,249
Clergy and parishes	483,019	214,790
Clergy aid loans	10,777	13,552
HST receivable	26,227	43,200
Other	5,280	7,923
	2,344,931	2,256,260
Allowance for doubtful accounts	(1,242,300)	(1,422,000)
	\$ 1,102,631	\$ 834,260

## 3. Investments:

	2016	2015
Operating Fund:		
Investment Anglican Diocesan Centre Corporation	\$ 189,909	\$ 189,909
Employee deposits (Retirement Funds)	190,539	188,799
	\$ 380,448	\$ 378,708
Church Extension Fund:		
Investments, at fair value	\$ 1,030,619	\$ 680,455
Endowment and Trust Funds:		
Investments, at fair value	\$ 60,994,329	\$ 57,366,856

The cost base of the investments as at December 31, 2016 was \$49,524,850 (2015 - \$46,080,759).



# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2016

## 4. Equipment:

			2016	2015
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 206,309	\$ 164,844	\$ 41,465	\$ 56,460

## 5. Unrestricted net assets:

In addition to net assets designated for clergy car loan capital, Diocesan property capital, the Capital campaign funds and the Bishop's action appeal funds, the Synod has appropriated unrestricted net assets for the following:

	2016	2015
Youth funding	\$ 160,000	\$ 160,000
Refugee funding	60,000	60,000
	\$ 220,000	\$ 220,000

## 6. Related party transactions:

The Synod and the Anglican Diocesan Centre Corporation (the "Corporation") are related parties. The Corporation provides office space to the Synod and total rent paid by the Synod during 2016 was \$19,444 (2015 - \$19,444). Related party transactions are transacted during the normal course of business at the exchange amounts agreed to by the related parties.

## 7. Pension plan:

The Synod contributes to a defined benefit pension plan which is administered by the Anglican Church of Canada. The Synod makes a contribution equal to 11.9% of eligible employees' salaries. The Synod has made contributions of \$84,948 in 2016 (2015 - \$70,551). An additional pension administration expense charged to the Synod during the year amounted to \$9,734. The Anglican Church of Canada is responsible for any unfunded liability of the plan.



# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2016

---

## 8. Financial instruments:

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

### (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 2015.

### (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 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 2015.

### (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 2015.

# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2016

---

## 9. Redevelopment project:

A Contribution and Sharing Agreement (the "Agreement") was signed, effective July 23, 2008, by the Synod, The Dean and Chapter of Cathedral Church of All Saints, Halifax ("D&C"), the Anglican Diocesan Centre Corporation (the "Corporation") and Congregation of the Cathedral Church of All Saints, Halifax (the "Cathedral"). The purpose of the Agreement is to provide for the sharing of future revenues and costs associated with the lands which were contributed in accordance with the Agreement. The Corporation administers the lands and future revenues and costs on behalf of the contributors, being the Synod, D&C and the Cathedral. The Agreement was initiated in 2008, but not completed and signed until 2013. In 2013 it was updated to reflect the lease agreements with Shannex RLC Limited ("Shannex") currently in place and signed. Based on the original financial contributions to the Corporation and additional lands contributed by the parties in 2010, the proportionate share of lease revenues and costs are: Synod - 46.452%, D&C - 21.350% and Cathedral - 32.198%. The revenue from the land lease is to be applied firstly to pay the sublease between the Corporation and Shannex and other occupancy costs. Any revenue in excess of these costs is to be shared by the Synod, D&C and Cathedral in the proportions mentioned above. Should the property be sold, the net proceeds would be shared in the same proportions. There was no revenue in excess of costs for the year ended December 31, 2016.

# THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

## Schedule of Revenues and Expenditures

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
<b>Episcopal Ministry</b>		
Capital campaign revenues (program support):		
Congregation development	\$ -	\$ 15,000
Clergy wellness	8,338	9,884
	<b>\$ 8,338</b>	<b>\$ 24,884</b>

### Clergy Support

#### Synod operations:

Episcopal, Administration, Hospital: Stipend, Salary & Benefits	\$ 645,025	\$ 600,624
Travel	16,957	11,462
Bishop's discretionary fund	3,880	2,945
Bank charges	14,411	13,378
Uncollectible receivables	49,594	36,918
Rent (including caretaker costs)	35,287	34,685
Telephone	3,233	3,074
Insurance - Program Administration	30,516	28,853
Postage	10,817	9,786
Stationery and copier costs	23,760	23,837
Miscellaneous	26,591	20,948
Audit	22,853	15,000
Legal	13,227	17,506
Computer maintenance and technical support	19,288	14,517
Committee meetings and travel	29,386	25,290
Director's insurance	5,577	5,535
	<b>\$ 950,402</b>	<b>\$ 864,358</b>

### Other Major Expense Categories

#### General and Provincial Synods:

General Synod assessment	\$ 400,000	\$ 400,000
General Synod accommodation	5,449	6,500
Provincial Synod assessment	16,542	14,770
Lambeth conference	7,500	6,500
General Synod Expense	506	-
	<b>\$ 429,997</b>	<b>\$ 427,770</b>