

Financial Statements of

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

Year ended December 31, 2018

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Index to Financial Statements

December 31, 2018

	<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	5-11

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	Operating Fund	Endowment and Trust Funds	Church Extension Fund	Total 2018	Total 2017
Assets					
Current assets:					
Cash and cash equivalents	\$ 815,866	\$ 2,581,068	\$ 274,571	\$ 3,671,505	\$ 4,321,680
Short term investments	2,040,743	-	-	2,040,743	1,543,082
Prepaid expenses	3,794	-	-	3,794	6,749
Accounts receivable (Note 2)	1,252,496	-	-	1,252,496	1,063,789
Due from Operating Fund	-	-	-	-	101,756
Due from Church Extension Fund	62,766	-	-	62,766	13,090
Due from Endowment & Trust Fund	94,517	-	-	94,517	1,525,000
Investments (Note 3)	4,270,182	2,581,068	1,763,905	8,615,155	8,575,146
Mortgages and loans receivable from parishes	583,655	63,641,149	-	64,224,804	66,399,210
Equipment (Note 4)	-	-	2,595,863	2,595,863	2,743,762
	23,296	-	-	23,296	29,809
	\$ 4,877,133	\$ 66,222,217	\$ 4,359,768	\$ 75,459,118	\$ 77,747,927
Liabilities					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 880,775	\$ -	\$ 23,917	\$ 904,692	\$ 686,353
Designated funds	1,631,415	-	-	1,631,415	1,650,875
Deferred capital contributions	10,369	-	-	10,369	14,813
Employee deposits	-	234,487	-	234,487	243,521
Funds held in trust for parishes	-	34,117,368	-	34,117,368	33,352,508
Due to Operating Fund	-	94,517	62,766	157,283	13,090
Due to Endowment and Trust Funds	-	-	-	-	101,756
Due to Church Extension Fund	-	1,489,334	-	1,489,334	1,525,000
	2,522,559	35,935,706	86,683	38,544,948	37,587,916
Net Assets					
Clergy car loan capital	245,578	-	-	245,578	245,578
Diocesan property capital	169,293	-	-	169,293	169,293
Church Extension Fund	-	-	4,273,085	4,273,085	4,290,735
Capital Campaign Funds	127,475	-	-	127,475	139,308
Bishop's Action Appeal Funds	32,958	-	-	32,958	32,308
Unrestricted (Note 5)	1,779,270	1,084,020	-	2,863,290	2,759,919
Restricted	-	29,202,491	-	29,202,491	32,522,870
	2,354,574	30,286,511	4,273,085	36,914,170	40,160,011
	\$ 4,877,133	\$ 66,222,217	\$ 4,359,768	\$ 75,459,118	\$ 77,747,927

See accompanying notes to financial statements.

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

C. McCharles

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, 2018, with comparative information for 2017

	Operating Fund	Church Extension Fund	Total 2018	Total 2017
Revenues:				
Allotment revenue	\$ 1,992,497	\$ -	\$ 1,992,497	\$ 2,030,776
Unrestricted endowment investment income	189,511	-	189,511	173,113
Loan, Investment, & Other Income	15,351	24,956	40,307	103,391
Insurance recovery	25,226	-	25,226	24,010
NSOM fees	9,496	-	9,496	4,434
Inglis Foundation income	57,428	-	57,428	57,531
Mortgage fund commission	42,000	-	42,000	-
Clergy wellness	11,402	-	11,402	-
Amortization of deferred capital contributions	4,444	-	4,444	3,815
	2,347,355	24,956	2,372,311	2,397,070
Expenses:				
Episcopal ministry	374,035	-	374,035	405,500
Discernment	42,215	-	42,215	44,805
Formation	89,382	-	89,382	66,429
Clergy support	271,739	-	271,739	268,794
Other healthy leadership	52,369	-	52,369	53,933
Mission, outreach	48,899	-	48,899	11,820
Youth and family ministry	114,085	-	114,085	104,728
Healthy parishes and parishioners	89,353	-	89,353	77,168
Financial management and development	49,183	-	49,183	40,530
Human resources	1,660	-	1,660	990
Diocesan Administration - Other major expense categories	184,019	-	184,019	244,959
Diocesan administration - operating	366,460	-	366,460	328,194
General and Provincial synods	429,542	-	429,542	423,042
Miscellaneous committees and task groups	1,178	-	1,178	2,135
Bad debt expense	91,920	-	91,920	65,739
Commissions	-	42,606	42,606	22,905
Loss on sale of investments	-	-	-	43,157
	2,206,039	42,606	2,248,645	2,204,828
Excess of revenue over expenditures before the undernoted	141,316	(17,650)	123,666	192,242
Contribution to Atlantic School of Theology Capital Campaign	150,000	-	150,000	-

(Deficiency) excess of revenues over expenditures	\$ (8,684)	\$ (17,650)	\$ (26,334)	\$ 192,242
See accompanying notes to financial statements.				

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Operating activities:		
Excess revenues over expenditures	\$ (26,334)	\$ 192,242
Items not involving cash:		
Loss on sale of investments	-	43,157
Amortization of capital assets	10,294	18,852
Amortization on deferred capital contributions	(4,444)	(3,815)
Change in non-cash operating working capital	32,587	(95,197)
Decrease in designated funds	(19,460)	(7,930)
	(7,357)	147,309
Financing activities:		
Increase (decrease) in restricted endowment funds	1,755,389	(685,140)
Net contributions to funds held in trust for parishes	764,860	3,917,409
Net contributions to employee deposits	(9,034)	(40,214)
	2,511,215	3,192,055
Investing activities:		
Equipment additions	(3,781)	(7,196)
Repayment of mortgages and loans by parishes	147,899	253,373
Increase in investments	(2,936,325)	(2,311,069)
(Increase) decrease in short-term investments	(497,661)	314,925
	(3,289,868)	(1,749,967)
Effect of foreign currency translation on cash	135,835	(145,683)
Change in cash and cash equivalents	(650,175)	1,443,714
Cash and cash equivalents, beginning of year	4,321,680	2,877,966
Cash and cash equivalents, end of year	\$ 3,671,505	\$ 4,321,680
Comprised of:		
Cash	\$ 737,449	\$ 436,789
Cash equivalents	2,934,056	3,884,891
	\$ 3,671,505	\$ 4,321,680

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, 2018, with comparative information for 2017

	Main Operating Fund	Capital Campaign Funds	Bishop's Action Funds	Operating Funds	Total Operating Fund	Endowment and Trust Funds	Church Extension Fund	Total 2018	Total 2017
Balance, beginning of year	\$ 2,188,335	\$ 139,308	\$ 32,308	\$ 2,359,951	\$ 33,509,325	\$ 4,290,735	\$ 40,160,011	\$ 37,885,392	
Excess of revenues over expenditures	(8,684)	-	-	(8,684)	-	-	(17,650)	(26,334)	192,242
Unrealized (loss) gain on investments	-	-	-	-	(4,966,661)	-	-	(4,966,661)	2,752,866
Realized gain (loss) on investments	-	-	-	-	1,104,568	-	-	1,104,568	(696,430)
Restricted endowment (decrease) increase	-	-	-	-	552,529	-	-	552,529	(14,733)
Trustee transfer (net)	-	-	-	-	(10,815)	-	-	(10,815)	6,197
Fund withdrawals	14,490	(11,833)	650	3,307	-	-	-	3,307	(897)
Unrestricted endowment increase	-	-	-	-	97,565	-	-	97,565	35,374
Balance, end of year	\$ 2,194,141	\$ 127,475	\$ 32,958	\$ 2,354,574	\$ 30,286,511	\$ 4,273,085	\$ 36,914,170	\$ 40,160,011	

See accompanying notes to financial statements.

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements

Year ended December 31, 2018

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, 2018

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. Allotment revenue is recognized in the statement of revenue and expenditures as earned

(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, 2018

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, 2018

2. Accounts receivable:

	2018	2017
Allotments	\$ 1,172,363	\$ 1,195,529
Trust company	327,025	337,840
Clergy car loans	86,145	76,096
Clergy and parishes	539,576	485,661
Clergy aid loans	13,237	8,733
HST receivable	45,128	20,250
Other	110,199	1,280
	2,293,673	2,125,389
Allowance for doubtful accounts	(1,041,177)	(1,061,600)
	\$ 1,252,496	\$ 1,063,789

3. Investments:

	2018	2017
Operating Fund:		
Investment Anglican Diocesan Centre Corporation	\$ 189,909	\$ 189,909
Employee deposits (Retirement Funds)	393,746	484,234
	\$ 583,655	\$ 674,143
Endowment and Trust Funds:		
Investments, at fair value	\$ 63,641,149	\$ 65,725,067

The cost base of the investments as at December 31, 2018 was \$54,839,174 (2017 - \$51,902,849).

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2018

4. Equipment:

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Equipment	\$ 217,286	\$ 193,990	\$ 23,296	\$ 29,809

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:

	2018	2017
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 2018 as \$19,444 (2017 - \$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 \$84,927 in 2018 (2017 - \$88,311). 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, 2018

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 price, 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 price 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 change 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 55% of investments are in securities. There has been no change to the risk exposure from 2017.

(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 2017.

THE DIOCESAN SYNOD OF NOVA SCOTIA AND PRINCE EDWARD ISLAND

Notes to Financial Statements (continued)

Year ended December 31, 2018

8. Financial instruments (continued):

(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 2017.

(e) Currency risk:

The Synod is exposed to currency risk on its investment portfolio. The value of investments will fluctuate due to changes in foreign exchange rates. There has been no change to risk exposure since 2017.

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, 2018.