

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2012

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THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA

UNAUDITED BALANCE SHEET

AS AT DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
<u>ASSETS</u>		
Cash	4,159,997	3,527,068
Investments (Note 2)	5,433,386	4,038,383
Accounts receivable	290,370	276,559
Loans receivable	-	9,181
Charitable remainder trust (Note 2)	-	222,447
Capital assets (Note 3)	<u>10,646,236</u>	<u>10,957,199</u>
	<u>20,529,989</u>	<u>19,030,837</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	219,400	275,020
Loans payable	113,928	113,050
Reserve fund (Note 2)	169,068	125,648
Long term indebtedness (Note 5)	2,073,090	3,493,154
Deferred revenue (Note 2)	<u>2,524,307</u>	<u>2,660,627</u>
	<u>5,099,793</u>	<u>6,667,499</u>
 NET ASSETS		
Unrestricted	6,930,825	5,937,473
Restricted (Note 2)	1,950,532	472,447
Investment of capital assets	<u>6,548,839</u>	<u>5,953,418</u>
	<u>15,430,196</u>	<u>12,363,338</u>
	<u>20,529,989</u>	<u>19,030,837</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
<u>UNRESTRICTED</u>		
Balance - beginning of year	5,937,473	5,161,204
Excess of revenue over expenditures for the year	1,748,416	1,256,136
Long term debt repayment	(770,064)	(479,867)
Recovery of carrying value of capital assets sold during the year	<u>15,000</u>	<u>-</u>
Balance - end of year	<u>6,930,825</u>	<u>5,937,473</u>
<u>INVESTMENT IN CAPITAL ASSETS</u>		
Balance - beginning of year	5,953,418	5,695,062
Excess of (expenditure over revenues) for the year	(159,643)	(221,511)
Long term debt repayment	770,064	479,867
Carrying value of capital assets sold during the year	<u>(15,000)</u>	<u>-</u>
Balance - end of year	<u>6,548,839</u>	<u>5,953,418</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>2012</u>	<u>2011</u>
	\$	\$
REVENUE		
Church receipts		
Offertory	5,698,332	5,509,338
Other	3,942,058	2,362,012
Special diocesan collections	362,211	325,451
Diocesan debt appeal	92,877	232,647
World Youth days	-	47,824
Rentals and advertising revenue	153,013	139,860
Deferred revenue (Note 2)	136,320	144,106
Investment income	230,821	163,856
Gain on sale (write down) of capital assets (Note 3)	<u>18,900</u>	<u>(50,000)</u>
	<u>10,634,532</u>	<u>8,875,094</u>
EXPENSE		
Payroll costs	3,118,914	3,168,006
Clergy special assistance	76,771	161,471
Retirement benefits	508,784	470,682
Special diocesan collections disbursed	182,874	218,821
Property operating costs	2,904,497	2,958,546
Chancery office expense	18,548	31,769
Marriage tribunal	46,128	46,522
World Youth days	-	62,361
Youth and evangelization	212,548	191,146
Seminarian education costs	9,455	16,612
Priest education costs	10,000	17,000
Professional fees	14,352	10,054
Charity	34,795	30,446
Other	9,226	17,219
Interest and bank charges	124,819	124,196
Depreciation	<u>295,963</u>	<u>315,618</u>
	<u>7,567,674</u>	<u>7,840,469</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE TRANSFERS	3,066,858	1,034,625
TRANSFER TO RESTRICTED FUNDS (Note 2)	<u>1,478,085</u>	<u>-</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>1,588,773</u>	<u>1,034,625</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA

UNAUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2012

	2012	2011
	\$	\$
CASH GENERATED FROM CURRENT OPERATIONS:		
Excess of revenue over expenses for the year	1,588,773	1,034,625
Add (deduct) items not involving an outlay of cash:		
Transfer to restricted funds (Note 2)	1,478,085	-
Amortization of capital assets	295,963	315,618
Net book value of capital assets sold	15,000	-
Write down of capital assets (Note 3)	-	50,000
Amortization of deferred revenue	<u>(136,320)</u>	<u>(144,106)</u>
	<u>3,241,501</u>	<u>1,256,137</u>
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	(13,811)	(44,153)
Accounts payable and accrued liabilities	(55,620)	42,700
Loans payable	<u>878</u>	<u>(4,134)</u>
	<u>(68,553)</u>	<u>(5,587)</u>
	<u>3,172,948</u>	<u>1,250,550</u>
FINANCING AND INVESTMENT ACTIVITIES		
(Repayment of) long term indebtedness	(1,420,064)	(629,867)
Net change in loans receivable	9,181	7,730
Net change in investments	(1,395,003)	342,843
Restricted funds disbursed for Catholic College	-	(737,442)
Net change in reserve fund (Note 2)	43,420	34,254
Charitable remainder trust (Note 2)	<u>222,447</u>	<u>-</u>
	<u>(2,540,019)</u>	<u>(982,482)</u>
INCREASE IN CASH DURING THE YEAR	632,929	268,068
CASH, JANUARY 1	<u>3,527,068</u>	<u>3,259,000</u>
CASH, DECEMBER 31	<u>4,159,997</u>	<u>3,527,068</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

1. NATURE OF OPERATIONS

Purpose and community of service

The Roman Catholic Episcopal Corporation for the Diocese of Peterborough, in Ontario, Canada, is incorporated under the laws of the Province of Ontario. The corporation undertakes religious and charitable work within the Roman Catholic Diocese of Peterborough.

The corporation has the status of a non-profit organization and, accordingly, is not subject to corporation taxes.

Basis of presentation

The balance sheet, statements of changes in net assets, operations, and cash flows have been prepared by combining the accounts of the Parish Funds sector and the Diocesan Funds sector. The Diocesan Funds sector accounts are maintained at the chancery office, while the Parish Funds sector are maintained in the forty parishes in the diocese. Each parish is required to submit to the chancery office annual reports of receipts and payments and assets and liabilities. These reports, generally prepared on a cash basis, are used to prepare the Parish Funds sector for these financial statements.

Certain parishes have loaned funds, in the amount of \$4,927,710 as at December 31, 2012 (\$4,178,233 - 2011), to the chancery office on which interest is being paid. In turn the chancery office loans funds, in the amount of \$771,007 as at December 31, 2012 (\$869,152 - 2011) to parishes, to assist in building projects, on which interest is being paid. These transactions are eliminated on the consolidation of the Diocesan and Parish sectors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the corporation in the preparation of these financial statements are as follows:

Investments

Investments are recorded at fair market value.

Capital Assets

Capital assets are recorded at cost if acquired after January 1, 1995. Buildings and equipment acquired prior to January 1, 1995 are recorded at insured, replacement value and are recorded as fully depreciated. Depreciation on assets acquired after January 1, 1995 is provided at rates calculated to write-off the assets over a reasonable estimate of their useful lives as follows:

Buildings - 5 % diminishing balance
Furniture and equipment - 15 % diminishing balance

Land acquired prior to January 1, 1995 is recorded at its estimated fair market value at that date. Net land additions subsequent to that date are recorded at cost of \$218,519.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

Contributed Services

Donations in kind of property, material and services are not reflected in these financial statements.

Revenue Recognition and Deferred Revenue

One of the capital assets of the corporation is a life lease community project in Lindsay, Ontario known as Guy Mills Court which consists of thirty-three units which provides residents an exclusive right to occupy housing units for life in consideration for a lump sum payment and monthly fees.

The corporation follows the deferred method of accounting for resident prepayments. Life lease prepayments received are deferred and amortized to income on the same basis that the related capital assets are amortized.

Reserve Fund

A reserve fund has been established to fund major capital repairs at the life lease community project in Lindsay, Ontario known as Guy Mills Court.

During the year, resident contributions to the fund were \$35,352, investment income was \$2,567, funds in the amount of \$12,000 were transferred from other operating accounts and capital repairs funded during the year were \$6,499.

Restricted Funds

- i) During a previous fiscal year a charitable remainder trust was established by a parishioner for the beautification, improvements and maintenance of a particular church.

The amount recorded in the books of the corporation is based on the income tax donation receipt issued at the time of the establishment of the charitable remainder trust of \$222,447 which is determined by the parishioner's life expectancy. The accounting policy is not to adjust this amount until funds are received at the termination of the trust.

The trust terminated in 2012 as a result of the death of the parishioner. During the year, funds in the amount of \$275,000 were received as an initial distribution of the charitable remainder trust.

- ii) During the year a bequest was received in the amount of \$300,000 for maintenance and improvements for a particular church and rectory.
- iii) During the year it was determined that funds were received in 2002 with the restriction that they be used for the benefit of a particular parish or its successor so as to assist with its continued existence and in meeting its long term financial needs. The unexpended balance of the funds received at December 31, 2012 being \$375,532 has been recorded as restricted and accounting records adjusted accordingly.
- iv) During the year funds were received by bequest in the amount of \$750,000 for the establishment of a Diocese of Peterborough seminarian fund for the education of priests.
- v) Included in investments are funds in the amount of \$250,000, received in a prior year with the stipulation that for twenty five years the net income be used to finance education of a seminarian from the Diocese of Peterborough.
- vi) During the prior year the corporation disbursed restricted funds held in trust for a future Catholic college known as Sacred Heart of Peterborough in the amount of \$737,442.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

3. CAPITAL ASSETS

	<u>2012</u>	<u>2011</u>
	\$	\$
Cost		
Land	5,461,887	5,476,887
Buildings	72,699,526	72,699,526
Furniture and equipment	<u>7,071,786</u>	<u>7,071,786</u>
	85,233,199	85,248,199
Accumulated depreciation	<u>74,586,963</u>	<u>74,291,000</u>
Net book value	<u>10,646,236</u>	<u>10,957,199</u>

According to the accounting policy of the corporation, when land was acquired prior to January 1, 1995, it was set up at fair market value. In the prior year it was determined that in 1995 land in the amount of \$50,000 was recorded in the books of the Chancery office as well as a parish. The records were corrected and \$50,000 charged to the Statement of Operations.

4. BANK INDEBTEDNESS

The corporation finances its operations through an agreement with the Royal Bank of Canada. The credit facilities consist of the following:

- i) a demand operating line of credit in the amount of \$400,000 to finance current operating expenditures.
- ii) As security for any bank indebtedness, the corporation has executed a general security agreement and the demand debenture has been amended to \$2,400,000 collaterally secured by a mortgage against the Bishop's residence and St. Peter's Cathedral rectory. Subsequent to the year end the prime rate bank loan was activated in the amount of \$261,317 to pay a portion of the fixed rate term loan. The loan is repayable in blended monthly payments of principal and interest of \$20,644.

5. LONG TERM INDEBTEDNESS

	<u>2012</u>	<u>2011</u>
	\$	\$
Royal Bank of Canada (Note 4)		
Prime rate bank loan	-	118,603
3.05% fixed rate term loan, due April 25, 2012	-	554,855
3.80% fixed rate term loan, due April 25, 2013	522,788	555,928
4.20% fixed rate term loan, due April 25, 2014	524,153	556,481
4.80% fixed rate term loan, due April 25, 2016	526,149	557,287
Non-interest bearing loans	<u>500,000</u>	<u>1,150,000</u>
Net long term indebtedness	<u>2,073,090</u>	<u>3,493,154</u>

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2012

The fixed rate term loans are secured by seven properties and are repayable in blended monthly instalments of principal and interest in the amount of \$13,829

The long term indebtedness has principal repayable as follows:

2013	\$	590,095
2014		624,699
2015		135,906
2016		522,390
Subsequently		<u>200,000</u>
	\$	<u>2,073,090</u>

6. LEGAL CLAIMS

The corporation has been named in lawsuits that are being defended through the corporation's legal counsel and the corporation's insurers and their legal counsel. The likelihood of loss and the amount of any possible loss cannot be determined at this time. No amount has been accrued in these financial statements in respect of such proceedings.

7. RETIREMENT BENEFITS

The corporation provides post retirement benefits to clergy.

To date these amounts have been paid from current operations. There has been no actuarial valuation to determine the accrued clergy retirement obligations in respect of past services for presently retired priests and priests actively serving in the diocese.

It is anticipated that the amount, when determined, will be significant and material to the financial position of the corporation.

The corporation provides retirement benefits for 18 lay employees of the Diocese through a defined contribution plan. The cost for the current year is \$28,416 (2011 - \$28,914).

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED SCHEDULE OF PARISH AND DIOCESAN OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>PARISHES</u>	<u>CHANCERY</u>	<u>RETIREMENT BENEFITS</u>	<u>CONSOLIDATION ADJUSTMENTS</u>	<u>TOTAL</u>
	\$	\$	\$	\$	\$
REVENUE					
Church receipts					
Offerory	5,698,332	-	-	-	5,698,332
Other	2,266,902	1,534,765	140,391	-	3,942,058
Cathedraticum	(1,254,597)	903,053	351,544	-	-
Special diocesan collections	199,042	164,512	163,169	(164,512)	362,211
Diocesan debt appeal	86,171	92,877	-	(86,171)	92,877
Rental and advertising revenue	153,013	-	-	-	153,013
Amortization of deferred revenue (Note 2)	136,320	-	-	-	136,320
Investment income (Note 1)	96,205	92,624	186,985	(144,993)	230,821
Gain on sale (write down) of capital assets (Note 3)	-	18,900	-	-	18,900
	<u>7,381,388</u>	<u>2,806,731</u>	<u>842,089</u>	<u>(395,676)</u>	<u>10,634,532</u>
EXPENSE					
Payroll costs	2,790,522	328,392	-	-	3,118,914
Clergy special assistance	-	76,771	-	-	76,771
Retirement benefits	-	-	508,784	-	508,784
Special diocesan collections disbursed	250,683	182,874	-	(250,683)	182,874
Property operating costs	2,869,096	35,401	-	-	2,904,497
Chancery office expense	-	18,548	-	-	18,548
Marriage tribunal	-	46,128	-	-	46,128
Youth and evangelization	38,848	173,700	-	-	212,548
Seminarian education costs	-	9,455	-	-	9,455
Priest education costs	-	10,000	-	-	10,000
Professional fees	5,530	8,822	-	-	14,352
Charity	31,044	3,751	-	-	34,795
Other	9,226	-	-	-	9,226
Interest and bank charges (note 1)	61,077	208,735	-	(144,993)	124,819
Depreciation	294,837	1,126	-	-	295,963
	<u>6,350,863</u>	<u>1,103,703</u>	<u>508,784</u>	<u>(395,676)</u>	<u>7,567,674</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>1,030,525</u>	<u>1,703,028</u>	<u>333,305</u>	<u>-</u>	<u>3,066,858</u>