

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

UNAUDITED BALANCE SHEET

AS AT DECEMBER 31, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
<u>ASSETS</u>		
Cash	3,476,416	4,159,997
Investments (Note 2)	6,938,549	5,433,386
Accounts receivable	385,660	290,370
Capital assets (Note 3)	<u>10,368,363</u>	<u>10,646,236</u>
	<u>21,168,988</u>	<u>20,529,989</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	235,402	219,400
Loans payable	114,387	113,928
Reserve fund (Note 2)	209,689	169,068
Long term indebtedness (Note 5)	1,546,119	2,073,090
Deferred revenue (Note 2)	<u>2,395,296</u>	<u>2,524,307</u>
	<u>4,500,893</u>	<u>5,099,793</u>
 NET ASSETS		
Unrestricted	7,570,513	6,930,825
Restricted (Note 2)	2,170,634	1,950,532
Investment of capital assets	<u>6,926,948</u>	<u>6,548,839</u>
	<u>16,668,095</u>	<u>15,430,196</u>
	<u>21,168,988</u>	<u>20,529,989</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, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
<u>UNRESTRICTED</u>		
Balance - beginning of year	6,930,825	5,937,473
Excess of revenue over expenditures for the year	1,166,659	1,748,416
Long term debt repayment	(526,971)	(770,064)
Recovery of carrying value of capital assets sold during the year	<u>-</u>	<u>15,000</u>
Balance - end of year	<u><u>7,570,513</u></u>	<u><u>6,930,825</u></u>
<u>INVESTMENT IN CAPITAL ASSETS</u>		
Balance - beginning of year	6,548,839	5,953,418
Excess of (expenditure over revenues) for the year	(148,862)	(159,643)
Long term debt repayment	526,971	770,064
Carrying value of capital assets sold during the year	<u>-</u>	<u>(15,000)</u>
Balance - end of year	<u><u>6,926,948</u></u>	<u><u>6,548,839</u></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, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
REVENUE		
Church receipts		
Offertory	5,708,441	5,698,332
Other	2,726,085	3,942,058
Special diocesan collections	506,047	362,211
Diocesan debt appeal	45,280	92,877
Rentals and advertising revenue	142,573	153,013
Deferred revenue (Note 2)	129,011	136,320
Investment income	357,771	230,821
Gain on sale of capital assets	-	18,900
	<u>9,615,208</u>	<u>10,634,532</u>
EXPENSE		
Payroll costs	3,173,759	3,118,914
Clergy special assistance	59,322	76,771
Retirement benefits	495,808	508,784
Special diocesan collections disbursed	324,344	182,874
Property operating costs	3,422,048	2,904,497
Chancery office expense	20,879	18,548
Marriage tribunal	41,166	46,128
Youth and evangelization	225,451	212,548
Seminarian education costs	7,833	9,455
Priest education costs	-	10,000
Professional fees	13,050	14,352
Charity	40,474	34,795
Other	39,695	9,226
Interest and bank charges	94,903	124,819
Depreciation	277,873	295,963
	<u>8,236,605</u>	<u>7,567,674</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE TRANSFERS	1,378,603	3,066,858
TRANSFER TO RESTRICTED FUNDS (Note 2)	<u>360,806</u>	<u>1,478,085</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>1,017,797</u>	<u>1,588,773</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, 2013

	<u>2013</u>	<u>2012</u>
	\$	\$
CASH GENERATED FROM CURRENT OPERATIONS:		
Excess of revenue over expenses for the year	1,017,797	1,588,773
Add (deduct) items not involving an outlay of cash:		
Transfer to restricted funds (Note 2)	360,806	1,478,085
Amortization of capital assets	277,873	295,963
Net book value of capital assets sold	-	15,000
Amortization of deferred revenue	<u>(129,011)</u>	<u>(136,320)</u>
	<u>1,527,465</u>	<u>3,241,501</u>
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	(95,290)	(13,811)
Accounts payable and accrued liabilities	16,002	(55,620)
Loans payable	<u>459</u>	<u>878</u>
	<u>(78,829)</u>	<u>(68,553)</u>
	<u>1,448,636</u>	<u>3,172,948</u>
FINANCING AND INVESTMENT ACTIVITIES		
(Repayment of) long term indebtedness	(526,971)	(1,420,064)
Net change in loans receivable	-	9,181
Net change in investments	(1,505,163)	(1,395,003)
Restricted funds disbursed (Note 2)	(140,704)	-
Net change in reserve fund (Note 2)	40,621	43,420
Charitable remainder trust (Note 2)	<u>-</u>	<u>222,447</u>
	<u>(2,132,217)</u>	<u>(2,540,019)</u>
INCREASE IN CASH DURING THE YEAR	(683,581)	632,929
CASH, JANUARY 1	<u>4,159,997</u>	<u>3,527,068</u>
CASH, DECEMBER 31	<u>3,476,416</u>	<u>4,159,997</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, 2013

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 \$5,067,547 as at December 31, 2013 (\$4,927,710 - 2012), to the chancery office on which interest is being paid. In turn the chancery office loans funds, in the amount of \$705,287 as at December 31, 2013 (\$771,007 - 2012) 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
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DECEMBER 31, 2013

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 \$37,476, investment income was \$3,145, there were no capital repairs funded during the year.

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 trust terminated in 2012 as a result of the death of the parishioner. During the prior year, funds in the amount of \$275,000 were received as an initial distribution of the charitable remainder trust. The balance of the charitable remainder trust being \$31,234 was received in the current year. Funds expended during the year amounted to \$54,070 reducing the balance of restricted funds to \$252,164.
- ii) During the year a bequest was received in the amount of \$300,000 for maintenance and improvements for a particular church and rectory. Funds expended during the year amounted to \$11,102 reducing the balance of restricted funds to \$288,898.
- iii) During the prior 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 was recorded as restricted and accounting records adjusted accordingly. Funds expended during the year amounted to \$75,532, reducing the balance of restricted funds to \$300,000.
- iv) During the prior 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. An additional amount of \$329,572 was received during the current year, which brings the total restricted funds to \$1,079,572.
- 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.

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

DECEMBER 31, 2013

3. CAPITAL ASSETS

	<u>2013</u>	<u>2012</u>
	\$	\$
Cost		
Land	5,461,887	5,461,887
Buildings	72,699,526	72,699,526
Furniture and equipment	<u>7,071,786</u>	<u>7,071,786</u>
	85,233,199	85,233,199
Accumulated depreciation	<u>74,864,836</u>	<u>74,586,963</u>
Net book value	<u>10,368,363</u>	<u>10,646,236</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.

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 paid off. The balance of the 4.2% fixed rate term loan on maturity was renegotiated into:
 - 1) 2.8% fixed rate term loan of \$300,000 due April 25, 2015, repayable in \$20,000 blended monthly instalments of principal and interest.
 - 2) Prime rate bank loan of \$184,467 due April 25, 2015, repayable in \$5,234 blended monthly instalments of principal and interest.

5. LONG TERM INDEBTEDNESS

	<u>2013</u>	<u>2012</u>
	\$	\$
Royal Bank of Canada (Note 4)		
Prime rate bank loan	62,197	-
3.05% fixed rate term loan, due April 25, 2012	-	-
3.80% fixed rate term loan, due April 25, 2013	-	522,788
4.20% fixed rate term loan, due April 25, 2014	490,440	524,153
4.80% fixed rate term loan, due April 25, 2016	<u>493,482</u>	<u>526,149</u>
	1,046,119	1,573,090
Non-interest bearing loan	<u>500,000</u>	<u>500,000</u>
Net long term indebtedness	<u>1,546,119</u>	<u>2,073,090</u>

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

DECEMBER 31, 2013

The Royal Bank of Canada loans are secured by seven properties and are repayable in blended monthly instalments of principal and interest in the amount of \$30,000 in total.

The long term indebtedness has principal repayable as follows:

2014	\$	397,034
2015		426,417
2016		522,668
2017		100,000
Subsequently		<u>100,000</u>
	\$	<u>1,546,119</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 \$28,067 (2012 - \$28,416).

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, 2013

	<u>PARISHES</u>	<u>CHANCERY</u>	<u>RETIREMENT BENEFITS</u>	<u>CONSOLIDATION ADJUSTMENTS</u>	<u>TOTAL</u>
	\$	\$	\$	\$	\$
REVENUE					
Church receipts					
Offertory	5,708,441	-	-	-	5,708,441
Other	2,173,159	419,250	133,676	-	2,726,085
Cathedraticum	(1,212,192)	885,424	326,768	-	-
Special diocesan collections	335,143	305,467	169,061	(303,624)	506,047
Diocesan debt appeal	45,280	45,280	-	(45,280)	45,280
Rental and advertising revenue	142,573	-	-	-	142,573
Amortization of deferred revenue (Note 2)	129,011	-	-	-	129,011
Investment income (Note 1)	<u>122,246</u>	<u>164,849</u>	<u>224,464</u>	<u>(153,788)</u>	<u>357,771</u>
	<u>7,443,661</u>	<u>1,820,270</u>	<u>853,969</u>	<u>(502,692)</u>	<u>9,615,208</u>
EXPENSE					
Payroll costs	2,834,064	339,695	-	-	3,173,759
Clergy special assistance	-	59,322	-	-	59,322
Retirement benefits	-	-	495,808	-	495,808
Special diocesan collections disbursed	348,904	324,344	-	(348,904)	324,344
Property operating costs	3,372,841	49,207	-	-	3,422,048
Chancery office expense	-	20,879	-	-	20,879
Marriage tribunal	-	41,166	-	-	41,166
Youth and evangelization	86,625	138,826	-	-	225,451
Seminarian education costs	-	7,833	-	-	7,833
Professional fees	6,418	6,632	-	-	13,050
Charity	34,869	5,605	-	-	40,474
Other	39,695	-	-	-	39,695
Interest and bank charges (note 1)	53,649	195,042	-	(153,788)	94,903
Depreciation	<u>276,916</u>	<u>957</u>	<u>-</u>	<u>-</u>	<u>277,873</u>
	<u>7,053,981</u>	<u>1,189,508</u>	<u>495,808</u>	<u>(502,692)</u>	<u>8,236,605</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE TRANSFERS	389,680	630,762	358,161	-	1,378,603
Transfers to Restricted Funds (Note 2)	<u>31,234</u>	<u>329,572</u>	<u>-</u>	<u>-</u>	<u>360,806</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>358,446</u>	<u>301,190</u>	<u>358,161</u>	<u>-</u>	<u>1,017,797</u>

See accompanying notes to unaudited financial statements.