

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

UNAUDITED BALANCE SHEET

AS AT DECEMBER 31, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>ASSETS</u>		
Cash	4,647,254	4,068,828
Investments (Note 2)	7,591,410	7,641,722
Accounts receivable	298,816	319,063
Capital assets (Note 3)	<u>9,831,467</u>	<u>10,077,210</u>
	<u>22,368,947</u>	<u>22,106,823</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	473,738	204,172
Loans payable	92,400	92,400
Reserve fund (Note 2)	234,102	240,913
Long term indebtedness (Note 4 and 5)	488,810	1,148,630
Deferred revenue (Note 2)	<u>2,157,476</u>	<u>2,273,154</u>
	<u>3,446,526</u>	<u>3,959,269</u>
 NET ASSETS		
Unrestricted	9,630,029	8,849,248
Restricted (Note 2)	2,107,211	2,142,880
Investment of capital assets	<u>7,185,181</u>	<u>7,155,426</u>
	<u>18,922,421</u>	<u>18,147,554</u>
	<u>22,368,947</u>	<u>22,106,823</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, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
<u>UNRESTRICTED</u>		
Balance - beginning of year	8,849,248	7,570,513
Excess of revenue over expenditures for the year	940,601	1,646,253
Long term debt repayment	(159,820)	(397,489)
Recovery of carrying value of capital assets sold during the year	<u>-</u>	<u>29,971</u>
Balance - end of year	<u>9,630,029</u>	<u>8,849,248</u>
<u>INVESTMENT IN CAPITAL ASSETS</u>		
Balance - beginning of year	7,155,426	6,926,948
Excess of (expenditure over revenues) for the year	(130,065)	(139,040)
Long term debt repayment	159,820	397,489
Carrying value of capital assets sold during the year	<u>-</u>	<u>(29,971)</u>
Balance - end of year	<u>7,185,181</u>	<u>7,155,426</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, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
REVENUE		
Church receipts		
Offertory	5,676,881	5,822,918
Other	3,039,492	2,415,030
Special diocesan collections	897,251	367,516
Diocesan debt appeal	37,499	65,461
Health benefit surplus allocation (Note 8)	-	225,108
Rentals and advertising revenue	142,501	141,696
Deferred revenue (Note 2)	115,678	122,142
Investment income	1,200	467,855
Gain on sale of capital assets	-	200,257
	<u>9,910,502</u>	<u>9,827,983</u>
EXPENSE		
Payroll costs	3,157,711	3,142,902
Clergy special assistance	70,718	41,507
Retirement benefits	479,065	510,091
Special diocesan collections disbursed	689,665	185,955
Property operating costs	3,799,373	3,646,686
Chancery office expense	125,157	30,601
Marriage tribunal	50,545	48,338
Youth and evangelization	251,926	273,408
Seminarian education costs	21,420	6,428
Priest education costs	48,239	-
Professional fees	34,145	19,584
Charity	21,856	36,289
Other	32,094	33,565
Interest and bank charges	72,309	84,234
Depreciation	245,743	261,182
	<u>9,099,966</u>	<u>8,320,770</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>810,536</u>	<u>1,507,213</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, 2015

	<u>2015</u>	<u>2014</u>
	\$	\$
CASH GENERATED FROM CURRENT OPERATIONS:		
Excess of revenue over expenses for the year	810,536	1,507,213
Add (deduct) items not involving an outlay of cash:		
Amortization of capital assets	245,743	261,182
Net book value of capital assets sold	-	29,971
Amortization of deferred revenue	<u>(115,678)</u>	<u>(122,142)</u>
	<u>940,601</u>	<u>1,676,224</u>
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	20,247	66,597
Accounts payable and accrued liabilities	269,566	(31,230)
Loans payable	<u>-</u>	<u>(21,987)</u>
	<u>289,813</u>	<u>13,380</u>
	<u>1,230,414</u>	<u>1,689,604</u>
FINANCING AND INVESTMENT ACTIVITIES		
(Repayment of) long term indebtedness	(659,820)	(397,489)
Net change in investments	50,312	(703,173)
Restricted funds disbursed (Note 2)	(35,669)	(27,754)
Net change in reserve fund (Note 2)	<u>(6,811)</u>	<u>31,224</u>
	<u>(651,988)</u>	<u>(1,097,192)</u>
INCREASE IN CASH DURING THE YEAR	578,426	592,412
CASH, JANUARY 1	<u>4,068,828</u>	<u>3,476,416</u>
CASH, DECEMBER 31	<u>4,647,254</u>	<u>4,068,828</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, 2015

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 \$5,823,024 as at December 31, 2015 (\$5,408,771 - 2014), to the chancery office on which interest is being paid. In turn the chancery office loans funds, in the amount of \$552,227 as at December 31, 2015 (\$640,212 - 2014) 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, 2015

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 \$42,156, investment income was \$7,194, there were \$56,161 in capital repairs and expenses 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 total amount of funds received in 2013 amounted to \$306,234. Funds expended in prior years amounted to \$64,966, and \$30,919 in 2015, reducing the balance of restricted funds to \$210,349.
- ii) During 2013 a bequest was received in the amount of \$300,000 for maintenance and improvements for a particular church and rectory. Funds expended in prior years amounted to \$27,960, and \$4,750 in 2015 reducing the balance of restricted funds to \$267,290.
- iii) 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, 2014 was \$300,000. No funds were expended during the year resulting in no change in the balance of restricted funds of \$300,000 at December 31, 2015.
- iv) Included in investments are funds in the amount of \$1,079,572 received in prior years from a bequest 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.

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

DECEMBER 31, 2015

3. CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
	\$	\$
Cost		
Land	5,431,916	5,431,916
Buildings	72,516,713	72,516,713
Furniture and equipment	<u>7,069,786</u>	<u>7,069,786</u>
	85,018,415	85,018,415
Accumulated depreciation	<u>75,186,948</u>	<u>74,941,205</u>
Net book value	<u>9,831,467</u>	<u>10,077,210</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.

In addition, bank indebtedness is secured by collateral mortgage of \$4,500,000 on six properties.

Going forward a \$3,000,000 revolving term loan facility is to be set up to assist in financing parish restoration projects secured by the aforementioned collateral.

5. LONG TERM INDEBTEDNESS

	<u>2015</u>	<u>2014</u>
	\$	\$
Royal Bank of Canada (Note 4)		
Prime rate bank loan due April 25, 2015	65,432	25,274
2.80% fixed rate term loan, due April 25, 2015	-	164,021
4.80% fixed rate term loan, due April 25, 2016	<u>423,378</u>	<u>459,335</u>
	488,810	648,630
Non-interest bearing loan	<u>-</u>	<u>500,000</u>
Long term indebtedness	<u>488,810</u>	<u>1,148,630</u>

Subsequent to the year end the long term indebtedness has been repaid.

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

DECEMBER 31, 2015

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. An actuarial valuation was made as at January 1, 2015 to determine the accrued retirement obligations in respect of past service for presently retired priests and priests actively serving in the diocese.

The total actuarial liabilities were \$9,872,500 and the unfunded actuarial liability was \$5,063,000 resulting in a funded ratio of 48.7%

There is no recognition of this unfunded liability in these financial statements. The diocese intends to have the valuation updated every three years to monitor progress toward reducing the unfunded portion.

The corporation provides retirement benefits for 17 lay employees of the Diocese through a defined contribution plan. The cost for the current year is \$27,984 (2014 - \$25,408).

8. HEALTH BENEFIT FUND SURPLUS ALLOCATION

During the prior year the Corporation received a surplus allocation of \$225,108 from the Health Benefit Fund account of the Ontario Conference of Catholic Bishops, of which the Corporation is a member. The surplus allocation covered the period from 2000 to August 2013 inclusive.

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, 2015

	PARISHES	CHANCERY	RETIREMENT	CONSOLIDATION	TOTAL
	\$	\$	BENEFITS	ADJUSTMENTS	\$
	\$	\$	\$	\$	\$
REVENUE					
Church receipts					
Offering	5,676,881	-	-	-	5,676,881
Other	2,130,542	581,780	327,170	-	3,039,492
Cathedralicum	(1,240,128)	902,048	338,080	-	-
Special diocesan collections	747,634	708,011	148,737	(707,131)	897,251
Diocesan debt appeal	37,499	37,499	-	(37,499)	37,499
Rental and advertising revenue	142,501	-	-	-	142,501
Amortization of deferred revenue (Note 2)	115,678	-	-	-	115,678
Investment income (Note 1)	155,244	23,061	(15,373)	(161,732)	1,200
	<u>7,765,851</u>	<u>2,252,399</u>	<u>798,614</u>	<u>(906,362)</u>	<u>9,910,502</u>
EXPENSE					
Payroll costs	2,873,499	284,212	-	-	3,157,711
Clergy special assistance	-	70,718	-	-	70,718
Retirement benefits	-	-	479,065	-	479,065
Special diocesan collections disbursed	744,630	689,665	-	(744,630)	689,665
Property operating costs	3,629,056	170,317	-	-	3,799,373
Chancery office expense	-	125,157	-	-	125,157
Marriage tribunal	-	50,545	-	-	50,545
Youth and evangelization	137,508	114,418	-	-	251,926
Seminarian education costs	-	21,420	-	-	21,420
Priest education costs	-	48,239	-	-	48,239
Professional fees	1,596	32,549	-	-	34,145
Charity	17,353	4,503	-	-	21,856
Other	20,673	11,421	-	-	32,094
Interest and bank charges (note 1)	38,772	195,269	-	(161,732)	72,309
Depreciation	245,051	692	-	-	245,743
	<u>7,708,138</u>	<u>1,819,125</u>	<u>479,065</u>	<u>(906,362)</u>	<u>9,099,966</u>
EXCESS OF REVENUES OVER EXPENSES					
FOR THE YEAR	<u>57,713</u>	<u>433,274</u>	<u>319,549</u>	<u>-</u>	<u>810,536</u>

