

**THE ROMAN CATHOLIC EPISCOPAL CORPORATION**

**FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

## TABLE OF CONTENTS

### **UNAUDITED FINANCIAL STATEMENTS**

Balance Sheet	1
Statement of Changes in Net Assets	2
Statement of Operations	3
Statement of Cash Flows	4
Notes to the Financial Statements	5
Schedule of Parish and Diocesan Operations	9

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

**UNAUDITED BALANCE SHEET**

**AS AT DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
<b><u>ASSETS</u></b>		
Cash	4,402,556	4,647,254
Investments (Note 2)	9,049,553	7,591,410
Accounts receivable	310,329	298,816
Capital assets (Note 3)	<u>9,600,032</u>	<u>9,831,467</u>
	<u>23,362,470</u>	<u>22,368,947</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	414,716	473,738
Loans payable	137,851	92,400
Reserve fund (Note 2)	282,870	234,102
Long term indebtedness (Notes 4 and 5)	543,375	488,810
Deferred revenue (Note 2)	<u>2,047,885</u>	<u>2,157,476</u>
	<u>3,426,697</u>	<u>3,446,526</u>
 <b>NET ASSETS</b>		
Unrestricted	10,359,873	9,630,029
Restricted (Note 2)	2,023,753	2,107,211
Investment of capital assets	<u>7,552,147</u>	<u>7,185,181</u>
	<u>19,935,773</u>	<u>18,922,421</u>
	<u>23,362,470</u>	<u>22,368,947</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, 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
<b><u>UNRESTRICTED</u></b>		
Balance - beginning of year	9,630,029	8,849,248
Excess of revenue over expenditures for the year	1,218,654	940,601
Long term debt repayment	<u>(488,810)</u>	<u>(159,820)</u>
Balance - end of year	<u>10,359,873</u>	<u>9,630,029</u>
<b><u>INVESTMENT IN CAPITAL ASSETS</u></b>		
Balance - beginning of year	7,185,181	7,155,426
Excess of (expenditure over revenues) for the year	(121,844)	(130,065)
Long term debt repayment	<u>488,810</u>	<u>159,820</u>
Balance - end of year	<u>7,552,147</u>	<u>7,185,181</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, 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>REVENUE</b>		
Church receipts		
Offertory	5,598,721	5,676,881
Other	3,088,989	3,039,492
Special diocesan collections	609,439	897,251
Diocesan debt appeal	-	37,499
Rentals and advertising revenue	159,295	142,501
Deferred revenue (Note 2)	109,591	115,678
Investment income	<u>647,089</u>	<u>1,200</u>
	<u>10,213,124</u>	<u>9,910,502</u>
<b>EXPENSE</b>		
Payroll costs	3,218,459	3,157,711
Clergy special assistance	72,807	70,718
Retirement benefits	428,995	479,065
Special diocesan collections disbursed	385,194	689,665
Property operating costs	4,029,872	3,799,373
Chancery office expense	166,004	125,157
Marriage tribunal and family ministry	60,531	50,545
Youth and evangelization	282,253	251,926
Seminarian education costs	30,861	21,420
Priest education costs	55,068	48,239
Professional fees	28,197	34,145
Charity	14,619	21,856
Other	40,058	32,094
Interest and bank charges	71,961	72,309
Depreciation	<u>231,435</u>	<u>245,743</u>
	<u>9,116,314</u>	<u>9,099,966</u>
<b>EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR</b>	<u><u>1,096,810</u></u>	<u><u>810,536</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 CASH FLOWS**

**FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
	\$	\$
<b>CASH GENERATED FROM CURRENT OPERATIONS:</b>		
Excess of revenue over expenses for the year	1,096,810	810,536
Add (deduct) items not involving an outlay of cash:		
Amortization of capital assets	231,435	245,743
Amortization of deferred revenue	<u>(109,591)</u>	<u>(115,678)</u>
	<u>1,218,654</u>	<u>940,601</u>
<b>CHANGES IN NON-CASH WORKING CAPITAL</b>		
Accounts receivable	(11,513)	20,247
Accounts payable and accrued liabilities	(59,022)	269,566
Loans payable	<u>45,451</u>	<u>-</u>
	<u>(25,084)</u>	<u>289,813</u>
	<u>1,193,570</u>	<u>1,230,414</u>
<b>FINANCING AND INVESTMENT ACTIVITIES</b>		
(Repayment of) long term indebtedness	(488,810)	(659,820)
Revolving term loan facility (Notes 4 and 5)	543,375	-
Net change in investments	(1,458,143)	50,312
Restricted funds disbursed (Note 2)	(83,458)	(35,669)
Net change in reserve fund (Note 2)	<u>48,768</u>	<u>(6,811)</u>
	<u>(1,438,268)</u>	<u>(651,988)</u>
<b>(DECREASE) INCREASE IN CASH DURING THE YEAR</b>	(244,698)	578,426
CASH, JANUARY 1	<u>4,647,254</u>	<u>4,068,828</u>
CASH, DECEMBER 31	<u><u>4,402,556</u></u>	<u><u>4,647,254</u></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, 2016**

**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.

Effective January 1, 2016 the corporation has the status of a registered charity under the Income Tax Act and, accordingly, is not subject to income 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 \$6,118,693 as at December 31, 2016 (\$5,768,024 - 2015), to the chancery office on which interest is being paid. In turn the chancery office loans funds, in the amount of \$1,031,667 as at December 31, 2016 (\$552,227 - 2015) 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, 2016**

**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 \$44,412, investment income was \$4,356, there were no 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 \$95,885, and \$83,458 in 2016, reducing the balance of restricted funds to \$126,891.
- 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 \$32,710, and NIL in 2016 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, 2016.
- 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, 2016**

**3. CAPITAL ASSETS**

	<u>2016</u>	<u>2015</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>75,418,383</u>	<u>75,186,948</u>
Net book value	<u><u>9,600,032</u></u>	<u><u>9,831,467</u></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.

A \$3,000,000 revolving term loan facility has been set up to assist in financing parish restoration projects secured by the aforementioned collateral based on a 15 year amortization with interest at Royal Bank prime plus .50% per annum.

**5. LONG TERM INDEBTEDNESS**

	<u>2016</u>	<u>2015</u>
	\$	\$
Royal Bank of Canada (Note 4)		
Revolving term loan facility	543,375	-
Prime rate bank loan due April 25, 2015	-	65,432
4.80% fixed rate term loan, due April 25, 2016	<u>-</u>	<u>423,378</u>
Long term indebtedness	<u><u>543,375</u></u>	<u><u>488,810</u></u>

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

**DECEMBER 31, 2016**

It is anticipated that the principal repayable for the revolving term loan facility will be as follows:

2017	\$ 72,494
2018	61,723
2019	63,626
2020	67,582
Subsequently	<u>277,950</u>
	<u>\$ 543,375</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. 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.

As at January 1, 2015 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 \$34,324 (2015 - \$27,984).

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, 2016

	<u>PARISHES</u>	<u>CHANCERY</u>	<u>RETIREMENT</u>	<u>CONSOLIDATION</u>	<u>TOTAL</u>
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
Church receipts	5,598,721	-	-	-	5,598,721
Offerory	2,740,081	202,153	146,755	-	3,088,989
Other	(1,227,870)	892,318	335,552	-	-
Cathedralicum	563,615	405,612	166,362	(526,150)	609,439
Special diocesan collections	159,295	-	-	-	159,295
Rental and advertising revenue	109,591	-	-	-	109,591
Amortization of deferred revenue (Note 2)	172,973	250,223	379,258	(155,365)	647,089
Investment income (Note 1)	8,116,406	1,750,306	1,027,927	(681,515)	10,213,124
	<u>2,897,759</u>	<u>320,700</u>	<u>-</u>	<u>-</u>	<u>3,218,459</u>
<b>EXPENSE</b>					
Payroll costs	-	72,807	-	-	72,807
Clergy special assistance	-	-	428,995	-	428,995
Retirement benefits	526,150	385,194	-	(526,150)	385,194
Special diocesan collections disbursed	3,893,474	136,398	-	-	4,029,872
Property operating costs	-	166,004	-	-	166,004
Chancery office expense	-	60,531	-	-	60,531
Marriage tribunal	172,116	110,137	-	-	282,253
Youth and evangelization	-	30,861	-	-	30,861
Seminarian education costs	-	55,068	-	-	55,068
Priest education costs	2,509	25,688	-	-	28,197
Professional fees	9,619	5,000	-	-	14,619
Charity	28,291	11,767	-	-	40,058
Other	21,435	205,891	-	(155,365)	71,961
Interest and bank charges (note 1)	230,847	588	-	-	231,435
Depreciation	7,782,200	1,586,634	428,995	(681,515)	9,116,314
	<u>334,206</u>	<u>163,672</u>	<u>598,932</u>	<u>-</u>	<u>1,096,810</u>
<b>EXCESS OF REVENUES OVER EXPENSES</b>					
<b>FOR THE YEAR</b>	<u>8,116,406</u>	<u>1,750,306</u>	<u>1,027,927</u>	<u>(681,515)</u>	<u>10,213,124</u>

See accompanying notes to unaudited financial statements.