

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

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

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

FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

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

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 4,576,753	\$ 4,381,788
Accounts receivable	26,128	119,572
HST receivable	193,090	191,354
Interest receivable	14,448	-
	4,810,419	4,692,714
INVESTMENTS, AT MARKET VALUE (Note: 10)	9,737,750	8,750,414
TERM DEPOSITS (Note: 6)	303,925	299,139
CAPITAL ASSETS (Note: 4)	9,379,058	9,600,034
	\$ 24,231,152	\$ 23,342,301
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 231,122	\$ 210,844
Deferred revenue (Note: 5)	2,153,800	2,231,588
Bank demand loans (Note: 9)	962,638	543,375
Funds held in trust (Note: 7)	81,776	98,227
Cemetery term deposits	63,233	39,624
	3,492,569	3,123,658
FUND BALANCES		
GENERAL FUNDS (Note: 3)	4,474,625	4,587,114
RESTRICTED FUNDS (Note: 3)	8,828,931	8,079,380
	13,303,556	12,666,494
INVESTMENT IN CAPITAL ASSETS	7,435,027	7,552,149
	20,738,583	20,218,643
	\$ 24,231,152	\$ 23,342,301

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Offerings	\$ 5,762,957	\$ 5,598,721
Donations	427,443	471,132
Bequests	424,361	273,726
Other revenue	778,188	740,633
Special collections	777,296	977,744
Stipends	349,653	331,445
Fundraising	301,858	296,141
Interest on accounts	47,667	37,220
	8,869,423	8,726,762
EXPENSES		
Wages and benefits (non-clergy)	1,669,832	1,642,534
Wages and benefits (clergy)	1,589,051	1,559,733
Office, rectory and other	1,028,704	1,042,224
Utilities	667,456	673,197
Maintenance and repairs (non-capital)	538,430	529,624
Programs, events and activities	444,497	436,812
Retirement benefits (clergy)	397,825	422,750
Insurance	283,053	262,725
Special collections and donations	247,248	390,194
Clergy special assistance	132,245	72,807
Stipends	128,673	100,974
Property taxes	128,662	127,509
Fundraising	93,639	99,283
Seminarian formation	56,714	30,861
Professional fees	40,023	53,891
Clergy formation (net of recovery)	19,526	15,715
	7,465,578	7,460,833
EXCESS REVENUE OVER EXPENSES BEFORE UNDERNOTED	1,403,845	1,265,929
Donations (capital)	886,083	740,371
Bequests (capital)	1,000	97,657
Capital expenditures	(2,324,172)	(1,524,123)
Investment income	689,508	608,408
Interest expense on bank loans	(19,202)	(18,680)
Amortization of deferred revenue	103,854	109,591
Amortization of capital assets	(220,976)	(231,435)
EXCESS OF REVENUE OVER EXPENSES	519,940	1,047,718
FUND BALANCES, BEGINNING OF YEAR	20,218,643	19,170,925
FUND BALANCES, END OF YEAR	\$ 20,738,583	\$ 20,218,643

The accompanying Notes to Financial Statements are an integral part of these statements.

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017
OPERATING ACTIVITIES	
Excess of revenue over expenses	\$ 519,940
Non-cash items	
Amortization of deferred revenue	(103,854)
Amortization of capital assets	220,976
	637,062
Changes in non-cash working capital balances	
Accounts receivable	93,444
HST receivable	(1,736)
Interest receivable	(14,448)
Accounts payable and accrued liabilities	20,278
Cemetery term deposits	23,609
Deferred revenue	26,066
Funds held in trust	(16,451)
	130,762
	767,824
INVESTING ACTIVITIES	
Term deposits (net)	(4,786)
Net investment (acquisitions)/disposals	(987,336)
	(992,122)
FINANCING ACTIVITIES	
Bank demand loans (net of repayments)	419,263
NET INCREASE IN CASH	194,965
CASH, BEGINNING OF YEAR	4,381,788
CASH, END OF YEAR	\$ 4,576,753

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF FINANCIAL POSITION

DIOCESAN PASTORAL CENTRE

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 958,980	\$ 887,451
Accounts receivable	11,349	2,477
Due from parishes	1,166	13,300
Due from Seminarian Fund	-	42,580
HST receivable	13,962	65,239
Interest receivable	14,448	-
	999,905	1,011,047
INVESTMENTS	1,934,828	1,705,123
PARISH LOANS RECEIVABLE	1,460,016	1,031,667
CAPITAL ASSETS	300,000	303,331
	\$ 4,694,749	\$ 4,051,168
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 31,878	\$ 53,725
Due to parishes	8,647	17,287
Due to Seminarian Fund	870	-
Deferred revenue	55,646	36,542
Bank demand loans	962,638	543,375
Funds held in trust	50,976	68,227
	1,110,655	719,156
ACCRUED INTEREST PAYABLE ON PARISH TERM DEPOSITS	307,753	350,254
PARISH TERM DEPOSITS (Note: 6)	6,416,073	6,148,693
CEMETERY TERM DEPOSITS	63,233	39,624
	7,897,714	7,257,727
FUND BALANCES		
INVESTED IN CAPITAL ASSETS	300,000	303,331
GENERAL FUND DEFICIT	(3,502,965)	(3,509,890)
	(3,202,965)	(3,206,559)
	\$ 4,694,749	\$ 4,051,168

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

DIOCESAN PASTORAL CENTRE

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Cathedraticum	\$ 900,458	\$ 892,318
Donations	89,890	111,160
Other revenue	30,655	21,248
Interest	9,584	8,924
Special collections	286,039	321,188
Special collections - refugee program	26,876	141,839
	1,343,502	1,496,677
EXPENSES		
Special collections and donations	220,192	248,355
Special collections - refugee program	27,056	141,839
Wages and benefits (non-clergy)	289,963	231,622
Wages and benefits (clergy)	222,080	219,178
Clergy special assistance	132,245	72,807
Programs and activities	106,520	52,641
Fees, dues, and subscriptions	74,439	98,827
Capital expenditures	71,054	94,750
Occupancy costs	63,834	48,970
Professional fees	40,023	53,891
Bank charges	33,426	31,960
Office and sundry	32,527	25,279
Advertising and promotion	20,096	23,024
Clergy formation (net of recovery)	19,526	15,715
Training and education	10,986	19,148
Telecommunications	7,848	6,956
	1,371,815	1,384,962
EXCESS/(DEFICIENCY) REVENUE OVER EXPENSES BEFORE UNDERNOTED	(28,313)	111,715
Investment income	136,119	123,500
Interest income on parish loans	38,589	12,455
Interest expense on bank loans	(18,473)	(10,984)
Interest expense on term deposits	(120,997)	(154,401)
Amortization of capital assets	(3,331)	(588)
EXCESS OF REVENUE OVER EXPENSES	3,594	81,697
FUND DEFICIT, BEGINNING OF YEAR	(3,206,559)	(3,288,256)
FUND DEFICIT, END OF YEAR	\$ (3,202,965)	\$ (3,206,559)

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF FINANCIAL POSITION

PRIEST BENEFIT FUND

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 181,786	\$ 195,677
Accounts receivable	6,262	19,139
	188,048	214,816
INVESTMENTS	6,294,246	5,550,097
	\$ 6,482,294	\$ 5,764,913
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 49,020	\$ 49,521
Due to parishes	5,702	-
	54,722	49,521
FUND BALANCES		
PRIEST BENEFIT FUND - Restricted	6,427,572	5,715,392
	\$ 6,482,294	\$ 5,764,913

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

PRIEST BENEFIT FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Cathedraticum	\$ 330,914	\$ 335,552
Special collections	171,854	166,362
Stipends	129,595	130,405
Bequests	22,120	10,000
Other revenue	11,498	-
Donations	3,785	6,351
Interest	1,879	3,487
Investment income (net of fees)	441,220	375,770
	1,112,865	1,027,927
EXPENSES		
Retirement benefits (clergy)	397,825	422,750
Office and sundry	2,860	6,245
	400,685	428,995
EXCESS REVENUE OVER EXPENSES	712,180	598,932
FUND BALANCE, BEGINNING OF YEAR	5,715,392	5,116,460
FUND BALANCE, END OF YEAR	\$ 6,427,572	\$ 5,715,392

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF FINANCIAL POSITION

SEMINARIAN FUND

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Due from Diocesan Pastoral Centre	\$ 870	\$ -
INVESTMENTS	1,508,675	1,495,195
	\$ 1,509,545	\$ 1,495,195
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ -	\$ 2,429
Due to Diocesan Pastoral Centre	-	42,580
	-	45,009
FUND BALANCES		
RESTRICTED FUNDS		
Legacy Fund	250,000	250,000
Education Fund	1,079,572	1,079,572
	1,329,572	1,329,572
GENERAL FUND	179,973	120,614
	1,509,545	1,450,186
	\$ 1,509,545	\$ 1,495,195

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

SEMINARIAN FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
REVENUE		
Bequests	\$ 1,705	\$ -
Donations	2,200	7,200
Investment income (net of fees)	112,168	109,138
	116,073	116,338
EXPENSES		
Seminarian formation	56,714	30,861
EXCESS REVENUE OVER EXPENSES	59,359	85,477
FUND BALANCE, BEGINNING OF YEAR	1,450,186	1,364,709
FUND BALANCE, END OF YEAR	\$ 1,509,545	\$ 1,450,186

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF FINANCIAL POSITION

GUY MILLS COURT

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 89,087	\$ 65,580
Accounts receivable	500	1,655
	89,587	67,235
TERM DEPOSITS	303,925	274,139
CAPITAL ASSETS (net of accumulated amortization \$2,351,126 (2016 - \$2,247,272))	1,944,031	2,047,885
	\$ 2,337,543	\$ 2,389,259
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 3,039	\$ 1,139
Deferred revenue	1,944,031	2,047,885
	1,947,070	2,049,024
FUND BALANCES		
RESERVE FUND - Externally restricted	332,799	282,870
GENERAL FUND - Externally restricted	57,674	57,365
	390,473	340,235
	\$ 2,337,543	\$ 2,389,259

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

GUY MILLS COURT

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Reserve Fund	2017	2016
REVENUE				
Resident fees	\$ 191,381	\$ 47,388	\$ 238,769	\$ 227,656
Amortization of deferred revenue	103,854	-	103,854	109,591
Interest	959	3,728	4,687	5,203
Rental	570	-	570	1,440
	296,764	51,116	347,880	343,890
EXPENSES				
Amortization of capital assets	103,854	-	103,854	109,591
Maintenance and repairs	89,306	-	89,306	68,812
Property taxes	65,549	-	65,549	63,849
Utilities	25,549	-	25,549	31,647
Insurance	9,319	-	9,319	9,557
Office and sundry	2,878	-	2,878	2,520
Professional fees	-	1,187	1,187	-
	296,455	1,187	297,642	285,976
EXCESS REVENUE OVER EXPENSES	309	49,929	50,238	57,914
FUND BALANCE, BEGINNING OF YEAR	57,365	282,870	340,235	282,321
FUND BALANCE, END OF YEAR	\$ 57,674	\$ 332,799	\$ 390,473	\$ 340,235

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF FINANCIAL POSITION

DIOCESAN PARISHES

AS AT DECEMBER 31, 2017

	2017	2016
ASSETS		
CURRENT		
Cash	\$ 3,346,900	\$ 3,233,079
Accounts receivable	8,017	96,300
Due from Diocesan Pastoral Centre	8,647	17,287
Interest receivable on term deposits	307,753	350,254
Due from Priest Benefit Fund	5,702	-
Term deposits	-	25,000
HST rebate receivable	179,127	126,115
	3,856,146	3,848,035
TERM DEPOSITS HELD BY DIOCESAN PASTORAL CENTRE (Note: 6)	6,416,073	6,148,693
CAPITAL ASSETS (net of accumulated amortization \$72,337,377 (2016 - \$72,223,586))	7,135,027	7,248,818
	\$ 17,407,246	\$ 17,245,546
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 148,349	\$ 117,329
Deferred revenue	154,123	147,161
Funds held in trust	30,800	30,000
	333,272	294,490
LOANS DUE TO DIOCESAN PASTORAL CENTRE	1,460,016	1,031,667
	1,793,288	1,326,157
FUND BALANCES		
GENERAL FUND	7,797,617	7,976,390
RESTRICTED FUND	681,314	694,181
	8,478,931	8,670,571
INVESTMENT IN CAPITAL ASSETS	7,135,027	7,248,818
	15,613,958	15,919,389
	\$ 17,407,246	\$ 17,245,546

The accompanying Notes to Financial Statements are an integral part of these statements.

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

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

DIOCESAN PARISHES

FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Restricted Fund	2017	2016
REVENUE				
Offerings	\$ 5,762,957	\$ -	\$ 5,762,957	\$ 5,598,721
Special collections (including Christmas, Good Friday and Easter)	866,747	-	866,747	1,059,157
Bequests	400,536	-	400,536	263,726
Stipends	349,653	-	349,653	331,445
Other revenue	340,699	-	340,699	318,672
Donations	320,070	-	320,070	346,422
Fundraising	301,858	-	301,858	296,141
Youth and childrens' programs	167,495	-	167,495	171,617
Interest on accounts	31,517	-	31,517	19,605
	8,541,532	-	8,541,532	8,405,506
EXPENSES				
Wages and benefits (non-clergy)	1,379,869	-	1,379,869	1,410,912
Wages and benefits (clergy)	1,368,915	-	1,368,915	1,340,581
Cathedraticum (diocesan assessment)	900,458	-	900,458	892,318
Office, rectory and sundry	879,518	-	879,518	873,553
Utilities	627,853	-	627,853	627,968
Special collections	574,357	-	574,357	707,202
Maintenance and repairs (non-capital)	432,026	-	432,026	452,808
Priest Benefit Fund (diocesan assessment)	330,914	-	330,914	335,552
Insurance	267,103	-	267,103	244,154
Stipends	256,324	-	256,324	231,354
Parish activities, programs and supplies	225,412	-	225,412	237,122
Youth and childrens' programs	112,428	-	112,428	150,650
Fundraising	93,639	-	93,639	99,283
	7,448,816	-	7,448,816	7,603,457
EXCESS/(DEFICIENCY) REVENUE OVER EXPENSES BEFORE UNDERNOTED				
	1,092,716	-	1,092,716	802,049
Donations (capital)	886,083	-	886,083	740,371
Bequests (capital)	1,000	-	1,000	97,657
Capital expenditures	(2,240,251)	(12,867)	(2,253,118)	(1,429,372)
Interest on term deposits	120,267	-	120,267	146,705
Interest expense on parish loans	(38,589)	-	(38,589)	(12,455)
Amortization of capital assets	(113,791)	-	(113,791)	(121,256)
EXCESS/(DEFICIENCY) OF REVENUE OVER EXPENSES				
	(292,565)	(12,867)	(305,432)	223,699
FUND BALANCE, BEGINNING OF YEAR				
	15,225,209	694,181	15,919,390	15,695,691
FUND BALANCE, END OF YEAR				
	\$ 14,932,644	\$ 681,314	\$ 15,613,958	\$ 15,919,390

The accompanying Notes to Financial Statements are an integral part of these statements.

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

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

1. Purpose of the Organization

The Roman Catholic Episcopal Corporation for the Diocese of Peterborough (the 'Corporation') is incorporated under the laws of the Province of Ontario. The Corporation is registered under the Income Tax Act and, as such, is exempt from income taxes and is able to issue donation receipts for income tax purposes.

The purpose of the Corporation is to undertake religious and charitable work within the Roman Catholic Diocese of Peterborough.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, except as noted below. The operations of the Corporation consist of multiple segments, including, the Diocesan Pastoral Centre, Diocesan Parishes, a Priest Benefit Fund, a Seminarian Fund, and Guy Mills Court, a residential life lease community located in Lindsay, Ontario.

The Diocesan Parishes generally report on a cash basis. This is a departure from generally accepted accounting principles, which does not result in a material misstatement of these financial statements.

(b) Fund Accounting

The Corporation follows the restricted fund method of accounting for contributions.

The Diocesan Pastoral Centre reports the operating activities and resources of the diocesan chancery, consisting of a general fund.

The Priest Benefit Fund reports the operating activities and resources of the diocesan priests retirement fund, consisting of an internally restricted fund. The Fund investment assets are held in an external trust and are maintained by a third party investment firm.

The Seminarian Fund reports the operating activities and the resources of a seminarian education fund, consisting of externally restricted funds and a general fund. The Fund investment assets are held in an external trust and are maintained by a third party investment firm.

Guy Mills Court reports the operating activities and resources of a thirty-three unit life lease community, and consists of a restricted reserve fund and a general fund. The restricted reserve fund is maintained for the purpose of funding major capital repairs. Both funds are required to be maintained for the sole benefit by the lease holders, and accordingly have been reported as restricted on the statement of financial position.

The Diocesan Parishes report the operating activities and resources of forty parishes located within the diocese, consisting of external restricted funds and a general fund. See Note: 3.

(c) Revenue Recognition

Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions for specific purposes are recognized as revenue applicable fund at the time of receipt.

Investment income consists of interest, dividends, and realized and unrealized gains and losses, net of

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

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

transaction costs and management fees, and is reported in revenue in the applicable fund.

Guy Mills Court provides 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, which are deferred and amortized to income on the same basis that the related capital assets are amortized.

Gifts in kind are not recognized as revenue, except when a charitable receipt is issued.

Volunteers contribute a significant number of hours each year to assist the Corporation in carrying out its activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements

(d) Financial Instruments

Financial assets measured at fair value include investments (see Note: 10).

Other financial assets are initially recorded at fair value, which represents cost, and subsequently measured at amortized cost. Financial assets include cash, accounts receivable, HST receivable, interest receivable and term deposits.

Financial liabilities include accounts payable and accrued liabilities, bank demand loans, funds held in trust and term deposits.

(e) Capital Assets

Certain capital assets which might have been capitalized as detailed below have been expensed as acquired. This is a departure from generally accepted accounting principles, the effect of which has not been determined for these financial statements, and consequently, may result in a material misstatement. Had generally accepted accounting principles been followed, the amount recorded for and invested in capital assets would be significantly higher.

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 a cost of \$218,519.

All capital assets, except for land, currently owned and acquired prior to January 1, 1995 are recorded at insured replacement value and are fully amortized. Capital assets acquired between January 1, 1995 to December 31, 2003 are recorded at cost, and amortized as described below. Commencing January 1, 2004, (1) costs associated with the restoration or replacement of existing buildings are expensed when incurred, (2) land and building acquisitions, including additions, are capitalized at cost, and buildings are amortized as described below, (3) furniture and equipment are expensed as acquired.

Amortization has been calculated as follows:

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

(f) Accounting Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from these estimates.

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

NOTES TO FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2017

3. Fund Balances

As at year-end, fund balances are comprised of:

	General	Restricted	2017
Diocesan Pastoral Centre	\$ (3,502,965)	\$ -	\$ (3,502,965)
Parishes	7,797,617	681,314	8,478,931
Priest Benefit Fund	-	6,427,572	6,427,572
Seminarian Fund	179,973	1,329,572	1,509,545
Guy Mills Court	-	390,473	390,473
	\$ 4,474,625	\$ 8,828,931	\$ 13,303,556

As at the prior year-end, fund balances are comprised of:

	General	Restricted	2016
Diocesan Pastoral Centre	\$ (3,509,890)	\$ -	\$ (3,509,890)
Parishes	7,976,390	694,181	8,670,571
Priest Benefit Fund	-	5,715,392	5,715,392
Seminarian Fund	120,614	1,329,572	1,450,186
Guy Mills Court	-	340,235	340,235
	\$ 4,587,114	\$ 8,079,380	\$ 12,666,494

Parishes:

Parish restricted funds are comprised of:

	2017	2016
Charitable remainder trust	\$ 114,024	\$ 126,891
Bequest	267,290	267,290
Restricted donation	300,000	300,000
	\$ 681,314	\$ 694,181

Charitable remainder trust: in 2013 funds were received from a charitable remainder trust established in 2004 by a parishioner for the beautification, improvements and maintenance of a particular church.

Bequest: in 2013 a bequest was received for maintenance and improvements for a particular church and rectory.

Restricted donation: in 2002 a donation was received with the restriction that it 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.

Seminarian Fund:

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.

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.

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Guy Mills Court:

Guy Mills Court funds restricted funds consist of: (See also Note 2(b))

	2017	2016
General fund	\$ 57,674	\$ 57,365
Restricted reserve fund	332,799	282,870
	\$ 390,473	\$ 340,235

4. Capital Assets

	2017	2016
Land	\$ 5,431,916	\$ 5,431,916
Buildings	72,516,713	72,516,713
Furniture and equipment	7,069,786	7,069,786
	85,018,415	85,018,415
Less: accumulated amortization	(75,639,357)	(75,418,381)
	\$ 9,379,058	\$ 9,600,034

5. Deferred Revenue

Deferred revenue is comprised of:

	2017	2016
Diocesan Pastoral Centre activities	\$ 55,646	\$ 36,542
Parish activities and deferred proceeds on sale of assets	154,123	147,161
Guy Mills Court	1,944,031	2,047,885
	\$ 2,153,800	\$ 2,231,588

6. Term Deposits

The Diocesan Pastoral Centre holds term deposits invested by parishes and cemeteries (and also funds held in trust), on which interest is paid depending on the duration, substantially all of which are five years. Interest is accrued annually, non-compounding, and paid at maturity (or at the time of redemption, if redeemed prior to maturity). As at year-end, the interest rate on the five year term deposit was 2.5% per annum.

On consolidation of the Corporation, the Diocesan Pastoral Centre and Parishes term deposits liabilities and assets, and related expense and income, are eliminated.

The term deposits owned by Guy Mills Court are invested with the Royal Bank of Canada.

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7. Funds Held in Trust

Funds held in trust consist of various funds advanced by estates or third parties for specific purposes, and are not considered either a current or deferred revenue to the Corporation. The funds are typically invested in term deposits held by the Diocesan Pastoral Centre, with interest paid out annually.

8. Retirement Benefits

Priest Benefit Fund

The Corporation provides post retirement benefits to priests through the Priest Benefit Fund.

To date, these benefits have been paid from current operations. An actuarial valuation was made at January 1, 2018 to determine the accrued retirement obligations in respect of past service for presently retired priests and priests actively serving the diocese. The preceding actuarial valuation was completed on January 1, 2015.

As at January 1, 2018 the market value of the fund was \$6,427,000, and total actuarial liabilities were \$8,173,000 resulting in a funded ratio of 78.6%, and an unfunded liability of \$1,746,000.

As at January 1, 2015 the market value of the fund was \$4,810,000, and total actuarial liabilities were \$9,873,000 resulting in a funded ratio of 48.7%, and an unfunded liability of \$5,063,000.

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

Lay Employee Defined Contrition Plan

The Corporation provides retirement benefits for several lay employees of the Corporation through a defined contribution plan. The cost for the current year is \$35,774 (2016 - \$34,324).

9. Bank Credit Facility

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

(a) A demand operating line of credit in the amount of \$400,000 to finance current expenditures, with interest calculated monthly at the bank's prime rate plus 0.50%. As at year-end, the outstanding balance was \$Nil (2016 - \$Nil).

(b) A \$3,000,000 revolving loan facility available by way of a series of term loans, for the purpose of assisting with financing parish restoration projects. Either a (1) "RBP Loan" (Royal Bank Prime) or (2) "FRT Loan" (Fixed Rate Term) may be selected, for terms of between one to ten years. RBP loans are due on demand, and rates are based on the term selected. Both RBP and FRT loans are due on demand, and are therefore reported as current liabilities.

As at year end, the Corporation has two RBP loans, with an outstanding balance of \$962,638 (2016 - \$543,375), and a current interest rate of 3.70%, requiring monthly principal payments of \$7,600.

The facility is secured by a general security agreement over the Corporation's assets, and a collateral mortgage in the amount of \$4,500,000 constituting a first fixed charge over the land and buildings of six diocesan properties.

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10. Investments

The Corporation is invested in units of the Archdiocese of Toronto Balanced Master Trust (the Trust). Units of the Trust are not offered to the public by way of prospectus but are offered privately by way of offering memorandum. Units are issued pursuant to the Amended and Restated Master Trust Agreement. Units of the Trust are redeemable monthly at the option of the unitholders in accordance with the provisions of the declaration of trust at their net asset value and do not have any nominal or par value.

Investments held by the Trust consist of a portfolio of pooled funds invested in bonds, equities and/or treasury bills managed by independent investment managers. The fair value of securities held by the pooled funds traded in an active market is based on the closing market price under International Financial Reporting Standards (IFRS). Cost represents proceeds paid on investment purchases, reinvestment of distributions and other investment income and is net of investment dispositions.

Details of the cost and fair value for investments held are as follows:

	2017	2016
Cost	\$ 9,171,221	\$ 8,500,812
Fair Market Value	\$ 9,737,750	\$ 8,750,414

11. Financial Instruments

Interest rate risk: The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on investments, parish loans receivable, bank demand loans and term deposits. An increase in interest rates, (1) may result in a decrease in fair value of investments; (2) would result in an increase of interest income on parish loans receivable; (3) would result in an increase of interest expense on bank demand loans and parish term deposits payable. The Corporation monitors interest rates to ensure that cash flow is sufficient to meet future interest costs.

Market risk: The Corporation is exposed to market risk on investments. A decline in market prices would result in a loss of fair value.

12. 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.

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation.