

Consolidated Financial Statements

**The General Synod of the
Anglican Church of Canada**

December 31, 2009

Draft for Discussion

AUDITORS' REPORT

To the Primate and Members of
The General Synod of the Anglican Church of Canada

We have audited the consolidated statement of financial position of **The General Synod of the Anglican Church of Canada** as at December 31, 2009 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of General Synod's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of General Synod as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
March 3, 2010.

Draft for Discussion

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2009	2008
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	2,442,651	1,000,630
Accounts receivable <i>[note 14[d]]</i>	1,739,083	1,486,782
Inventory	198,704	293,370
Prepaid expenses and other assets	108,576	215,546
Total current assets	4,489,014	2,996,328
Investments <i>[note 4]</i>	9,349,791	6,824,428
Car and staff housing loans <i>[note 5]</i>	621,115	608,948
Property and equipment, net <i>[note 6]</i>	3,356,582	3,528,693
Other <i>[note 15]</i>	—	425,000
	17,816,502	14,383,397
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	1,612,344	1,564,328
Funds held for other organizations	49,328	31,806
Total current liabilities	1,661,672	1,596,134
Deferred contributions <i>[note 7]</i>	1,143,409	1,009,572
Annuities <i>[note 10]</i>	1,778,187	1,569,617
Total liabilities	4,583,268	4,175,323
Contingencies and commitments <i>[notes 2[e] and 16]</i>		
Net assets		
Unrestricted	2,275,680	1,638,511
Internally designated <i>[note 9]</i>	7,307,075	5,399,255
Endowments <i>[note 8]</i>	3,650,479	3,170,308
Total net assets	13,233,234	10,208,074
	17,816,502	14,383,397

See accompanying notes

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2009 \$	2008 \$
REVENUE		
Contributions from dioceses	8,407,437	8,623,287
Philanthropy	1,267,539	1,003,603
Investment income <i>[note 11]</i>	694,901	—
Anglican Journal	1,401,809	1,066,614
ABC Publishing	359,686	491,581
Other <i>[note 14]</i>	542,063	449,933
	12,673,435	11,635,018
EXPENSES		
Partnerships	2,061,307	2,015,383
Council of the North grants	2,324,368	2,345,319
Indigenous Ministries	831,496	496,683
Faith, worship and ministry	484,823	535,881
Governance	645,432	594,603
Primate and House of Bishops	538,276	561,480
Diocesan support <i>[note 12]</i>	525,980	635,231
Information resources	724,701	852,376
Anglican Journal	2,057,165	1,659,941
ABC Publishing <i>[note 12]</i>	356,564	775,867
Philanthropy <i>[note 12]</i>	736,970	560,357
Administration	1,750,193	2,105,138
Investment loss <i>[note 11]</i>	—	378,828
Miscellaneous	509,424	161,239
	13,546,699	13,678,326
Deficiency of revenue over expenses for the year before the following	(873,264)	(2,043,308)
Undesignated legacies	3,418,253	3,908,798
Excess of revenue over expenses for the year	2,544,989	1,865,490

*See accompanying notes***Draft for Discussion**

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Unrestricted		Internally designated		Endowments		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$	\$	\$
			<i>[note 9]</i>		<i>[note 8]</i>			
Net assets, beginning of year	1,638,511	66,303	5,399,255	5,105,973	3,170,308	3,821,704	10,208,074	8,993,980
Excess of revenue over expenses for the year	2,544,989	1,865,490	—	—	—	—	2,544,989	1,865,490
Transfer to (from) internally designated net assets <i>[note 9]</i>	(1,907,820)	(293,282)	1,907,820	293,282	—	—	—	—
Investment gain (loss) allocated to externally restricted endowments <i>[note 11]</i>	—	—	—	—	480,171	(651,396)	480,171	(651,396)
Net assets, end of year	2,275,680	1,638,511	7,307,075	5,399,255	3,650,479	3,170,308	13,233,234	10,208,074

See accompanying notes

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2009	2008
	\$	\$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	2,544,989	1,865,490
Add item not affecting cash		
Amortization	222,002	211,461
Investment (income) loss	(694,901)	378,828
Net change in non-cash working capital balances related to operations	(2,649)	991,311
Increase in deferred contributions	16,242	268,567
Increase in funds held for other organizations	17,522	9,289
Cash provided by operating activities	2,103,205	3,724,946
INVESTING ACTIVITIES		
Purchase of property and equipment	(49,891)	(146,411)
Purchase of investments, net	(1,232,696)	(2,015,151)
Decrease (increase) in car and staff housing loans	(12,167)	10,288
Receipt of other assets	425,000	—
Increase (decrease) in annuities, net	208,570	(38,028)
Cash provided by (used in) investing activities	(661,184)	(2,189,302)
Net change in cash and cash equivalents during the year	1,442,021	1,535,644
Cash and cash equivalents (bank indebtedness), beginning of year	1,000,630	(535,014)
Cash and cash equivalents, end of year	2,442,651	1,000,630

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

1. PURPOSE OF THE ORGANIZATION AND BASIS OF PRESENTATION

The General Synod of the Anglican Church of Canada ["General Synod"] was incorporated by Act of Parliament in 1921 as the central representative body of the Anglican Church of Canada [the "Church"] with authority and jurisdiction in all matters affecting in any way the general interest and well being of the whole Church including: relations of the Church to other religious bodies in Canada and elsewhere; relations of the Church to the worldwide Anglican Communion; the definition of the doctrines of the Church in harmony with the Solemn Declaration adopted in 1893; structural uniformity in relation to the episcopal prerogative of licensing clergy; the basic standards of theological education and the qualifications and training of candidates for the ministry of the Church; and as a partner in the worldwide Anglican Communion and in the universal church, to proclaim and celebrate the gospel of Jesus Christ in worship and action.

General Synod is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

The consolidated financial statements include the assets, liabilities, net assets, revenue and expenses of General Synod, The Missionary Society of the Anglican Church of Canada ["The Missionary Society"] and the Anglican Journal.

2. RESIDENTIAL SCHOOLS CLAIMS

[a] On March 11, 2003, General Synod and The Missionary Society signed an agreement with the Government of Canada [the "Settlement Agreement"] to establish a process for dealing with claims related to the operation of residential schools and to establish a framework to apportion and pay liabilities related to these claims. The Settlement Agreement provided that General Synod, The Missionary Society and all dioceses in Canada [the "Anglican Entities"] would contribute a total of \$25,000,000 to the Settlement Fund over a period of five years commencing March 14, 2003. In 2003, General Synod contributed \$3,000,000, representing its share of the \$25,000,000 in accordance with the Settlement Agreement. The Settlement Fund is operated and managed by a separate corporation, The Anglican Church of Canada Resolution Corporation ["ACCRC"].

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- [b] As a result of the Government of Canada entering into a more favourable agreement with entities related to the Roman Catholic Church [the "Catholic Entities"], the Government of Canada entered into an agreement with the Anglican Entities and other parties setting out a new process and revised funding arrangements for residential schools related claims [the "2006 Indian Residential Schools Settlement Agreement"]. In addition, the Government of Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 [the "Anglican Amending Agreement"].
- [c] Under the Anglican Amending Agreement, the maximum amount the Anglican Entities are required to contribute towards Indian Residential Schools ["IRS"] Abuse Claims and healing and reconciliation is \$15,687,188. This amount is calculated based on the maximum amount that the Catholic Entities are required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada. As a result, a portion of the amount contributed to ACCRC by the Anglican Entities in prior years was refundable. The amount refundable to General Synod by ACCRC of \$1,179,871 was recorded as revenue in the consolidated statement of operations in 2007.
- [d] Under the Anglican Amending Agreement, a fund called the Anglican Fund for Healing and Reconciliation [the "AFHR"] was established in ACCRC to provide grants for healing and reconciliation. The AFHR is administered by General Synod on behalf of ACCRC and costs incurred and grants made are reimbursed by ACCRC [note 14[c]].
- [e] General Synod is co-defendant with the Government of Canada and certain dioceses in a number of legal cases involving substantial claims arising from the operation of residential schools. The Anglican Amending Agreement provides that the Government of Canada will be responsible for payment of all further amounts related to residential school claims covered by the Settlement Agreement.

Certain other outstanding claims, such as those where the cause of action is not related to an intentional tort [e.g., for loss or diminution of aboriginal language or culture], are not covered by the Settlement Agreement for a limited number of people who opted out of the Indian Residential Schools Settlement Agreement. As well, there are possible claims not covered by the Settlement Agreement. No provision has been made in these consolidated financial statements for costs, if any, which might arise from a finding of liability in connection with actions not covered by the Settlement Agreement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of General Synod have been prepared by management in accordance with Canadian generally accepted accounting principles. Significant accounting policies are summarized below:

Revenue recognition

The accounts of General Synod are maintained in accordance with the deferral method of accounting for contributions. Unrestricted donations and bequests are recorded when received. Restricted contributions are recognized in the year in which the related expense is incurred. Endowment contributions are recorded as direct increases to net assets.

Inventory sales are recognized when title passes. Advertising revenue related to the Anglican Journal is recognized when the publication is distributed.

Grants

Grants are recorded as payable in the year in which they are approved.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, units in money market funds and short-term deposits with original maturities of less than 90 days from the date of purchase. Cash and cash equivalents meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as long-term investments.

Change in accounting policies

Effective January 1, 2009, General Synod adopted the recommendations of CICA 4470: *Disclosure of Allocated Expenses by Not-for-Profit Organizations*, that require certain disclosures when fundraising and general support expenses are allocated to other functions. The adoption of these recommendations only required additional disclosures which are provided in the accounting policies and note 12.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Investments and investment income (loss)

Publicly traded securities are valued based on the latest bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates market value. Transactions are recorded on a settlement-date basis and transaction costs are expensed as incurred. The market value of investments denominated in foreign currencies is translated into Canadian dollars at year-end exchange rates. Income from these investments is translated at exchange rates in effect when the income is earned.

Investment income (loss) required to be added to (deducted from) the endowment capital is recorded as a direct increase (decrease) to net assets. Other restricted investment income (loss) is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income (loss) is recognized in the consolidated statement of operations when earned.

Inventory

Inventory comprises stock of ABC Publishing, which is carried at the lower of cost, as determined using the first-in, first-out method, and net realizable value.

Property and equipment

Property and equipment are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets over the following periods:

Building	40 years
Furniture and equipment	3 to 10 years

Annuities

Annuities are recorded at the greater of: [i] the net present value of the future obligations as determined by an actuary; and [ii] the amounts contributed, net of an administration fee, plus income earned less annuity payments. Any amount remaining in an annuitant's account upon the death of the annuitant is payable to the designated beneficiary.

Allocation of expenses

The costs of each program include the costs of personnel and other expenses that are directly related to providing the program. General support and other costs are not allocated except for certain personnel costs allocated to diocesan support expenses and ABC Publishing expenses.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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Personnel costs are allocated based on the time spent by personnel providing support to dioceses and ABC Publishing.

Contributed materials and services

Contributed materials and services are not recognized in these consolidated financial statements.

Pension plan

Contributions to a multi-employer pension plan are expensed when due.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Financial instruments

General Synod has chosen to apply CICA 3861: Financial Instruments – Disclosure and Presentation in place of CICA 3862: Financial Instruments – Disclosures and CICA 3863: Financial Instruments – Presentation.

4. INVESTMENTS

Investments of General Synod are held in The Anglican Church of Canada Consolidated Trust Fund ["The Consolidated Trust Fund"], a trust that invests funds of General Synod and other organizations. The Consolidated Trust Fund investments are managed by Connor, Clark & Lunn Private Capital Ltd. General Synod provides administrative support to The Consolidated Trust Fund at no cost.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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As at December 31, General Synod's share of The Consolidated Trust Fund investments, which are recorded at market value, consist of the following:

	<u>2009</u>		<u>2008</u>	
	\$	%	\$	%
Cash and cash equivalents	100,432	1	52,188	1
Fixed income				
Pooled fund	4,654,671	50	4,073,617	60
Total fixed income	4,654,671	50	4,073,617	60
Equities				
Canadian equities	3,371,152	36	1,885,420	28
U.S. equities	642,044	7	440,464	6
Global pooled equity funds	581,492	6	372,739	5
Total equities	4,594,688	49	2,698,623	39
	9,349,791	100	6,824,428	100

5. CAR AND STAFF HOUSING LOANS

Car and staff housing loans consist of the following:

	<u>2009</u>	<u>2008</u>
	\$	\$
Car loans, non-interest bearing, due within 40 months of date of issue, guaranteed by dioceses	257,897	238,954
Staff housing loans, with interest payable at prime less 2%, due 2037	363,218	369,994
	621,115	608,948

Car loans are available to clergy and lay workers in the assisted dioceses, with the maximum individual loan being \$9,000.

Staff housing loans were provided to certain staff who came to work in Toronto having previously been resident outside the Greater Toronto Area.

The total fair value of car and staff housing loans approximates the carrying value in the consolidated statement of financial position.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2009</u>		<u>2008</u>	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Building	3,344,778	281,448	3,331,918	200,420
Furniture and equipment	2,349,842	2,056,590	2,312,812	1,915,617
	<u>5,694,620</u>	<u>2,338,038</u>	5,644,730	2,116,037
Less accumulated amortization	2,338,038		2,116,037	
Net book value	3,356,582		3,528,693	

7. DEFERRED CONTRIBUTIONS

[a] Deferred contributions represent externally restricted funds received by General Synod to be spent in future years. Deferred contributions are held for various restricted purposes including education, bursaries and work of the Church in the North and overseas. Revenue recognized in the consolidated statement of operations with respect to these contributions received for restricted purposes is equal to expenses incurred for the restricted purposes during the year.

[b] The continuity of the deferred contributions balance is as follows:

	<u>2009</u>	<u>2008</u>
	\$	\$
Increases		
Donations and bequests	453,822	427,617
Investment income <i>[note 11]</i>	117,595	73,933
	<u>571,417</u>	501,550
Decreases		
Income recognized related to expenses for restricted purposes	437,580	159,050
Net increase in deferred contributions	133,837	342,500
Balance, beginning of year	1,009,572	667,072
Balance, end of year	1,143,409	1,009,572

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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8. ENDOWMENTS

Endowments represent contributions where the donor has required that the capital be maintained permanently with the income available for various purposes, primarily for the work of the Church overseas.

9. INTERNALLY DESIGNATED NET ASSETS

Internally designated net assets are amounts set aside for various special purposes based on decisions by General Synod. As at December 31, the amounts internally designated are for the following purposes:

	2009	2008
	\$	\$
Amounts invested in capital assets	3,356,582	3,528,692
Provision for Sacred Circle – 2009 meeting	—	150,000
Provision for General Synod – 2010 meeting	387,311	208,333
Other	3,563,182	1,512,230
	7,307,075	5,399,255

10. ANNUITIES

In fiscal 2004, as part of its planned giving program, General Synod resumed selling charitable gift annuities to individuals where General Synod retained the liability for the ongoing annuity payments. A charitable gift annuity permits the donor to designate a beneficiary who receives any residual funds upon the death of the annuitant. These beneficiaries include dioceses, parishes, The Anglican Foundation of Canada, Primate's World Relief and Development Fund, and General Synod.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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11. INVESTMENT INCOME (LOSS)

Investment income (loss) includes interest, dividends, income distribution from pooled funds, and realized and unrealized gains and losses. The amount of investment income (loss) recognized as revenue is as follows:

	2009 \$	2008 \$
Total investment income (loss)	1,609,585	(1,273,689)
Allocated to		
Externally restricted endowments	480,171	(651,396)
Deferred contributions related to <i>[note 7[b]]</i>		
Endowments	99,463	99,779
Other	18,132	(25,846)
Annuities	316,918	(317,398)
	914,684	(894,861)
Investment income (loss) recognized in consolidated statement of operations	694,901	(378,828)

12. ALLOCATION OF EXPENSES

Diocesan support expenses include \$125,580 [2008 - \$125,580] of expenses allocated from philanthropy expenses related to support provided by General Synod employees to the dioceses.

ABC Publishing expenses include \$109,573 [2008 - \$120,500] of information resources and \$26,000 [2008 - \$63,202] of administration expenses allocated to ABC Publishing related to the support provided to this program.

13. PENSION PLAN

General Synod and its employees make contributions to the General Synod Pension Plan, a multi-employer defined benefit pension plan administered by the Board of Trustees of the Plan which covers certain dioceses and other church institutions. General Synod contributed \$393,816 in 2009 [2008 - \$390,771] to the Plan.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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14. THE ANGLICAN CHURCH OF CANADA RESOLUTION CORPORATION

- [a] ACCRC was incorporated to operate and manage the Settlement Fund, contributed into by the Anglican Entities pursuant to the Settlement Agreement and the Anglican Amending Agreement [note 2]. ACCRC is under the management and administration of three trustees appointed by General Synod.
- [b] General Synod provides administrative support to ACCRC including the AFHR [note 2[d]] and makes payments on behalf of ACCRC. Other revenue includes a fee of \$29,849 [2008 - \$41,564] for administrative services and \$18,359 [2008 - \$48,298] to recover legal and other expenses related to residential school claims and negotiations with the Government of Canada in connection with the Settlement Agreement and the Anglican Amending Agreement.
- [c] In 2009, administration costs incurred by General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$150,438 [2008 - \$142,515]. Grants paid by General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$399,296 [2008 - \$382,915].
- [d] As at December 31, 2009, an amount of \$830,901 [2008 - \$520,306] due from ACCRC is included in accounts receivable. Amounts due to General Synod are non-interest bearing and due on demand.

15. PROPERTY TRANSACTION

On January 21, 1999, General Synod, together with St. Paul's Anglican Church, Toronto, entered into an agreement with a developer to sell their jointly-owned properties at 600 Jarvis Street, Toronto. The agreement provided for General Synod to acquire office and retail space for \$3,100,000 in a new development being built on the property sold and an adjacent property which had also been purchased by the developer. General Synod took occupation of the new premises at 80 Hayden Street in 2004 and title was received in July 2006.

Under the terms of the January 21, 1999 agreement, General Synod had the option of acquiring additional retail space on 600 Jarvis Street when that property is redeveloped. The cost of this option of \$425,000 was included in other assets. In 2009, General Synod decided not to exercise its option and the amount of \$425,000 held in trust was returned to General Synod.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009

16. CONTINGENCIES

- [a] General Synod's contingent liabilities in connection with residential school claims are described in note 2[e].
- [b] General Synod is a defendant or co-defendant with several dioceses in a number of other legal claims. The potential liability, if any, with respect to these claims is not determinable. However, General Synod believes it has good defences to these claims or adequate insurance coverage for any successful claims.

17. FINANCIAL INSTRUMENTS

General Synod is subject to credit risk with respect to its accounts receivable and its car and staff housing loans to the extent debtors do not meet their obligations; market, interest rate price and foreign exchange risks with respect to its investments; and interest rate price risk with respect to its annuities, and car and staff housing loans.

To manage the risks related to investments, The Consolidated Trust Fund has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances.

18. LINE OF CREDIT

General Synod has a demand operating line of credit of \$2,000,000 with interest payable at prime plus 0.5% with substantially all of its assets pledged as security. At December 31, 2009 and 2008, no amount was outstanding.

19. CAPITAL MANAGEMENT

In managing capital, General Synod focuses on liquid resources available for operations. General Synod's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2009, General Synod has met its objective of having sufficient liquid resources to meet its current obligations.

20. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2009 consolidated financial statements.

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