

Financial Statements

The Anglican Church of Canada
Resolution Corporation

December 31, 2009

AUDITORS' REPORT

To the Primate and Trustees of
The Anglican Church of Canada Resolution Corporation

We have audited the statement of financial position of **The Anglican Church of Canada Resolution Corporation** ["ACCRC"] as at December 31, 2009 and the statement of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of ACCRC'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 financial statements present fairly, in all material respects, the financial position of ACCRC 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. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 12, 2010.

STATEMENT OF FINANCIAL POSITION

As at December 31

	2009 \$	2008 \$
ASSETS		
Current		
Cash and cash equivalents	8,091,260	8,373,567
Total current assets	8,091,260	8,373,567
LIABILITIES AND FUND BALANCES		
Current		
Due to The General Synod of the Anglican Church of Canada [note 5[c]]	830,901	520,306
Grants payable	174,270	118,996
Other	14,198	11,011
Total current liabilities	1,019,369	650,313
Fund balances		
Settlement Fund [note 2]	5,137,329	5,679,392
Anglican Fund for Healing and Reconciliation [notes 2[c] and 4]	1,929,001	1,981,204
General Fund	5,561	62,658
Total fund balances	7,071,891	7,723,254
	8,091,260	8,373,567

See accompanying notes

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	<u>Settlement Fund</u>		<u>Anglican Fund for Healing and Reconciliation</u>		<u>General Fund</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Interest earned	—	—	9,718	97,596	6,420	119,265	16,138	216,861
	—	—	9,718	97,596	6,420	119,265	16,138	216,861
EXPENSES								
Settlements	—	180,000	—	—	—	—	—	180,000
Grants	—	—	454,570	410,709	—	—	454,570	410,709
Other [note 5[b]]	139,696	44,945	9,718	97,596	63,517	124,186	212,931	266,727
	139,696	224,945	464,288	508,305	63,517	124,186	667,501	857,436
Deficiency of revenue over expenses for the year	(139,696)	(224,945)	(454,570)	(410,709)	(57,097)	(4,921)	(651,363)	(640,575)
Fund balances, beginning of year	5,679,392	6,306,704	1,981,204	1,989,546	62,658	67,579	7,723,254	8,363,829
Fund transfer [notes 2[c] and 4[b]]	(402,367)	(402,367)	402,367	402,367	—	—	—	—
Fund balances, end of year	5,137,329	5,679,392	1,929,001	1,981,204	5,561	62,658	7,071,891	7,723,254

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

1. PURPOSE OF THE ORGANIZATION

The Anglican Church of Canada Resolution Corporation ["ACCRC"] was incorporated on January 17, 2003 under the Canada Corporations Act as a corporation without share capital. Its primary purpose is to operate and manage a fund [the "Settlement Fund"] contributed into by The General Synod of the Anglican Church of Canada ["General Synod"], The Missionary Society of the Anglican Church of Canada ["The Missionary Society"] and all dioceses in Canada [collectively referred to as the "Anglican Entities"] pursuant to the Settlement Agreement and the Anglican Amending Agreement described in note 2. ACCRC is under the management and administration of three trustees appointed by General Synod.

2. AGREEMENTS WITH THE GOVERNMENT OF CANADA

- [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 the Anglican Entities would contribute \$25,000,000 to the Settlement Fund over a period of five years commencing March 14, 2003.
- [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. 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.

The maximum payable by the Anglican Entities of \$15,687,188 is to be satisfied as follows:

- [i] Compensation for IRS Abuse Claims paid by the Anglican Entities to November 20, 2005 of \$6,699,125.

NOTES TO FINANCIAL STATEMENTS

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- [ii] The establishment by ACCRC of a segregated fund, the Anglican Fund for Healing and Reconciliation [the "AFHR"], satisfied by transferring \$2,200,000 from the Settlement Fund in 2007 *[note 4[b]]*.
- [iii] An amount of \$4,023,763, over a 10-year period commencing in 2008, by transferring \$402,367 annually into the AFHR from the Settlement Fund *[note 4[b]]*. This amount can be used to fund projects carried out by Anglican Entities or third parties *[note 4[a]]*.
- [iv] An amount of \$2,764,300 that will be transferred from the Settlement Fund to the AFHR based on the actual amounts contributed by the Catholic Entities.

If the Catholic Entities do not contribute the maximum amount set out in the agreement with the Government of Canada, the amount that the Anglican Entities are required to contribute to the AFHR will be reduced proportionate to the Catholic Entities' shortfall. The amount paid by the Catholic Entities required to determine if the amount transferred to the AFHR can be reduced will be finalized no later than September 19, 2019. Any excess amount remaining in the Settlement Fund may be refunded to the Anglican Entities.

- [d] The Settlement Agreement provides that interest income earned on the investment of funds held for the Settlement Fund by ACCRC is to be first used for the payment of reasonable administrative costs of the Settlement Fund, and thereafter as determined by ACCRC. The Anglican Amending Agreement provides that interest accruing on funds held for the AFHR will be first used for the payment of reasonable administrative expenses related to the AFHR and that any excess will be added to the funds available for grants. The Anglican Amending Agreement provides that any expenses in excess of the interest earned may be recovered from the Settlement Fund if approved by the Government of Canada.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO FINANCIAL STATEMENTS

December 31, 2009

Basis of presentation

For financial reporting purposes, the accounts have been classified into the following funds:

Settlement Fund

The Settlement Fund holds resources to be used to satisfy certain of the Anglican Entities' obligations under the Anglican Amending Agreement [*note 2[c]*].

Anglican Fund for Healing and Reconciliation

The AFHR was created in accordance with the terms of the Anglican Amending Agreement for funds that will be made available for initiatives or programs designed to assist with healing and reconciliation that have been approved by the AFHR Committee [the "AFHRC"] established by the Anglican Amending Agreement [*notes 2[c] and 4*].

General Fund

The General Fund accounts for accumulated unrestricted funds. Under the terms of the Settlement Agreement, investment income earned on the Settlement Fund is available to ACCRC to offset reasonable administration expenses and thereafter as determined by ACCRC.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and units in a money market fund.

Revenue recognition

ACCRC follows the restricted fund method of accounting for contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of either the AFHR or the Settlement Fund, as applicable. Unrestricted contributions are recognized as revenue of the General Fund.

Investment income is recorded on the accrual basis.

Grants

Grants are accrued when approved by the AFHRC and the grantee has been notified.

NOTES TO FINANCIAL STATEMENTS

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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 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.

4. ANGLICAN FUND FOR HEALING AND RECONCILIATION

- [a] The AFHR has been established in accordance with the Anglican Amending Agreement [*note 2[c]*] and must be managed in accordance with this agreement. Grants from the AFHR to the Anglican Entities or third parties must be approved by the AFHRC. The Anglican Amending Agreement sets out the criteria to be used by the AFHRC to determine whether a project is eligible for a grant. The funds in the AFHR must be paid out by 2019 and any funds not paid out by that date must be transferred to the Aboriginal Healing Foundation or to another charitable organization agreed upon unanimously by the AFHRC.
- [b] The initial transfer of funds to the AFHR of \$2,200,000, as required by the Anglican Amending Agreement, was made in 2007. Transfers from the Settlement Fund in 2009 in accordance with the Anglican Amending Agreement were \$402,367 [2008 - \$402,367] [*note 2[c]*].

5. TRANSACTIONS WITH THE GENERAL SYNOD OF THE ANGLICAN CHURCH OF CANADA

- [a] General Synod provides administrative support to ACCRC and makes payments on behalf of ACCRC.
- [b] In 2009, other expenses recorded in the General Fund include a charge from General Synod of \$39,637 [2008 - \$41,564] for administrative services and \$18,359 [2008 - \$48,298] to cover 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.

NOTES TO FINANCIAL STATEMENTS

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In 2009, General Synod charged ACCRC \$149,414 [2008 - \$142,515] related to the cost of administering the AFHR. This amount is included in other expenses. In accordance with the Anglican Amending Agreement, the amount of these charges equal to interest earned on funds held for the AFHR of \$9,718 [2008 - \$97,596] was recorded in the AFHR and the amount in excess of interest income, amounting to \$139,696 [2008 - \$44,945], was charged to the Settlement Fund.

[c] As at December 31, 2009, an amount of \$830,901 is due to General Synod [2008 - \$520,306]. Amounts due to/from General Synod are non-interest bearing and due on demand.

6. STATEMENT OF CASH FLOWS

A separate statement of cash flows has not been presented since cash flows from operating, investing and financing activities are readily apparent from the other financial statements.

7. CAPITAL MANAGEMENT

In managing capital, ACCRC focuses on liquid resources available in the General Fund for administration and other expenses not covered by the restricted funds held in the Settlement Fund and the AFHR. ACCRC's objective is to earn sufficient investment income on the funds held for the Settlement Fund and recorded in the General Fund to cover the administrative and other expenses not covered by the restricted funds. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of actual results compared to the budget. Any shortfall is managed by General Synod not charging ACCRC with non-AFHR costs incurred on behalf of ACCRC. As at December 31, 2009, ACCRC has met its objective of having sufficient liquid resources.