

REPORT OF FINANCIAL MANAGEMENT COMMITTEE (FMC)

This report covers the period from 2013 General Synod to May 2016

1. The Committee's Role and Mandate

The role of Financial Management Committee is advisory to the Council of the General Synod and the committee is accountable to the General Synod through the Council of the General Synod (CoGS). The primary roles of the Committee are to direct, oversee and supervise the management of the finances of the General Synod. Working closely with CoGS and members of General Synod's Management Team, especially the Treasurer, the Committee paid particular attention to the following:

- Regular monitoring of actual financial performance against planned financial performance
- Third quarter review of forecast revenue and expenses as compared to full year budgeted
- Setting guidelines for the preparation of budgets, and review of detailed annual budgets and multi-year financial plans prior to the presentation of the budget to CoGS
- Consideration of the availability of resources for the Council of the North and other national ministries
- The work of General Synod's Audit Committee
- The work of the Grants Sub-committee, which provides grants to active and retired clergy for significant expenses often related to health and education costs
- The work of the Investment Sub-committee, with a particular focus on the performance of General Synod's investment portfolio
- The terms of reference of the Ministry Investment Fund
- Review of the Committee's own mandate
- Trends and issues that will influence General Synod's long term sustainability
- Various policy items recommended to the Council of the General Synod.

The Committee met three times in person and four times by telephone. The environment during the triennium was characterized by significant external and internal change. The finances of the General Synod continue to be affected by lingering impacts of the 2008 global economic downturn, continuation of gradual demographic shifts across the country, significant challenges within the world wide Anglican Communion, and challenges across the Canadian national church. The requirements of the committee's work were influenced by these factors, along with staff and leadership changes within General Synod. The wise and dedicated counsel of every committee member remained faithful to a set of guiding principles developed early in the triennium. Our work was carried out consistently in a spirit of hope, commitment, generosity of spirit and unwavering dedication.

2. Financial Management

The Committee regularly reviewed performance of revenue and expenses against budget. Direction was provided by CoGS in November 2008, to eliminate deficit budgeting immediately and to reduce dependence on undesignated bequests to zero by 2012. Measures were implemented during the 2007 - 2010 triennium to respond to the reality of long-term trends of gradually decreasing diocesan giving; regrettably this included reduction of programs and staff positions.

Annual budgets during the current triennium were balanced due to the generous and ongoing commitment of proportional gifts from dioceses to General Synod. The committee is mindful of changing demographic patterns which may well affect diocesan proportional gifts.

3. Other Work

The Committee was engaged in a number of other significant pieces of work. The committee received information and reports to support discussion on these matters.

a) Proportional Giving

FMC was mandated by General Synod 2010 to undertake a study of proportional giving by Resolution C006. Key activities in response to C006 were as follows.

- At its meeting in May 2012, the committee received and considered a very detailed report analyzing annual diocesan giving for the period 2000 to 2011 by diocese, adjusted for inflation. The results were sobering. Over the 11-year period, the data indicated a real and effective decrease in apportionment income of 24%. Further, the projection called for a decrease of 3% annually. Clearly there would be significant impact on the finances of General Synod if the projections were to come to fruition.
- A Proportional Giving Working Group was struck immediately. Working group members were tasked with making personal contact with Diocesan Bishops and Finance Officers to gain insight into individual opinions of what is working, what is not working and to solicit suggestions for improvement.
- 2013 Budget (and 4-year trend) included the assumption of declining proportional gifts from dioceses at a rate of 3% annually. The implication of this assumption would be cuts to expenses in excess of \$1M by the end of the 5-year planning horizon. Rather than make drastic decisions in haste, CoGS very reluctantly approved a transitional deficit budget for 2013.
- The work continued into the 2013 – 2016 triennium.
- The 11-year data was re-evaluated in the autumn of 2013. The conclusion was that the relevant period for analysis ought to be post-2008 recession. The 5-year period 2008 to 2012 indicated a relatively stable and holding record of proportional giving. Proportional giving has remained stable through 2015, as have commitments for 2016.
- Diocesan Finance Officers were consulted at the June 2014 Finance Officers Conference.
- All feedback was consolidated and synthesized and presented to FMC in October 2015. The conclusion was that despite some weaknesses, the current system is working sufficiently well and FMC recommended to CoGS that the current system remain in place without any changes; this recommendation was accepted by CoGS.
- It is imperative that General Synod acknowledges that the current relative stability in proportional giving is likely not permanent given the directional changes in demographics of parishioners. It will be important for General Synod to monitor giving patterns by diocese closely to identify changes in patterns of giving. Further, it is extremely important to recognize that proportional giving from dioceses is completely voluntary and General Synod is dependent on the continued generosity and support of dioceses for the ministries of General Synod.

b) Finance Officers Conference

A Finance Officers Conference was held in June 2014. Finance Officers meet once every three years to get to know their colleagues across the Church National, learn about topical finance matters both from each other and from guest speakers. Travel costs are shared by those attending through a travel pool, and General Synod pays for meals and accommodations. Members of FMC are invited to share in the organization of the conference and to participate in planning of agenda.

c) National Insurance Program

Starting with conversation at the 2014 Finance Officers Conference, all dioceses were invited to participate in an insurance survey. Dioceses were asked for information about their broker and their insurer(s). This information was consolidated for review by FMC in October 2014.

Based on overall favourable responses from participants in the National Insurance Program, the incumbent broker of the National Insurance Program was re-affirmed.

Participants in the National Insurance Program responded favourably (overall) with respect to the insurer for the program. It is best practice that services are put to tender from time to time. Accordingly, the program was marketed formally for the 2015 - 2016 renewal period by the broker. The incumbent insurer was re-affirmed at the conclusion of the marketing process.

d) Conflict of Interest Policy

As recommended by our auditors, FMC supported the development of a Conflict of Interest Policy, approved by CoGS in May 2015.

e) Structures Review

Vision 2019 called for the church nationally to create structures that work now and for God's mission. The Primate convened a consultation in January 2013 to identify desirable changes in the structures and roles by which the Anglican Church of Canada carries out its ministry in service to God's mission. The report *Embodying God's Call*, included a requirement that General Synod review its office needs and space requirements for Church House staff, and investigate the desirability of relocating the offices from 80 Hayden Street.

FMC received a substantial report speaking to this matter at its October 2015 meeting. Supported by the services of an external consulting firm, the conclusion was that the most cost effective option for General Synod space is to remain in the current location at 80 Hayden Street. General Synod staff continue the consideration and investigation of improvements to the building to enhance the space and overcome some building deficiencies.

We have been invited into an ecumenical conversation with the Presbyterian Church in Canada and the United Church of Canada to explore possible benefits of shared premises and services.

4. Committee Assignments

Most members of FMC served on various sub-committees. The Reverend Leo Martin chaired the Grants Sub-committee. The Investment Sub-committee was chaired by Rob Saffrey.

4.1 Audit Committee

The role of Audit Committee is advisory in nature and members are appointed by CoGS. Audit Committee advises CoGS on all matters related to the annual audited financial statements of General Synod entities.

Audit Committee was composed of five members, four external to FMC. FMC was extremely fortunate and grateful to have Archbishop Colin Johnson chair the Audit Committee for the triennium. Haroldine Neil-Burchert, a member of FMC, contributed substantially to the work of the committee. The other three members rounding out the committee are well-respected in their field as chartered professional accountants.

Audit Committee received, reviewed and recommended for approval the audited financial statements of the General Synod of the Anglican Church of Canada, the Anglican Church of Canada Consolidated Trust Fund, and the Anglican Church of Canada Resolution Corporation for each of the fiscal years ended December 31st, 2013, 2014 and 2015. Other work included in the capacity of the committee was the review and evaluation of reports prepared by the Auditor for each fiscal year, as well as annual recommendation of the Auditor for each fiscal year to CoGS.

Please refer to Appendix B of this report, relating to audited financial statements for the fiscal year ended December 31, 2015.

4.2 Grants Sub-Committee

The Grants Sub-committee was composed of three FMC members. The sub-committee, chaired by the Reverend Leo Martin considers a variety of health and social support grant applications from active and retired clergy and their dependents to the Lady Edith Drayton Trust. The sub-committee reviews applications in view of established policies and guidelines intended to ensure that consideration of each grant application is fair, equitable, and based on clear criteria.

The sub-committee meets twice a year, coinciding with FMC meetings to consider grant applications. The sub-committee meets in confidence and provides a general overview of their decisions to FMC at each meeting. Over the triennium, the Grants Sub-committee recommended more than \$58,000 in grants.

4.3 Investment Sub-Committee

The Investment Sub-committee was composed of four members. Chaired by Rob Saffrey, a member of FMC, the sub-committee was also very fortunate to benefit from the expertise of two non-FMC members. Each is an expert in their own area of professional expertise: one a professional investment manager, and the other an accredited actuary. Kennedy Marshall, also a member of FMC and chair of the sub-committee of the 2010-2013 triennium, was the fourth member of the sub-committee.

The primary responsibility of the sub-committee is to monitor the performance of the investment manager engaged to manage the assets held by the Anglican Church of Canada Consolidated Trust Fund.

The sub-committee met semi-annually in person throughout the triennium. The investment manager, Connor, Clark & Lunn, attended some portion of each meeting. The sub-committee also met via conference call between in person meetings. Manager performance is evaluated on quantitative and qualitative criteria on a quarterly basis. The sub-committee remains satisfied with manager performance.

The sub-committee also has responsibility to review the Statement of Investment Policy & Goals (SIPG) to ensure that it continues to serve General Synod effectively. The sub-committee proposed SIPG revisions to FMC on two occasions during the triennium. The revisions were approved by FMC and were subsequently proposed to and approved by CoGS. Please refer to Appendix A of this report for the current SIPG.

5. Summary of Policy Recommendations and Changes to CoGS

FMC recommended a number of policy changes to CoGS for approval, which CoGS approved.

- Review and revision of the Statement of Investment Policy & Goals for the Consolidated Trust Fund. The Statement of Investment Policy & Goals was revised twice during the current triennium. Please refer to Appendix A for a copy of the current Statement.
- FMC continues to review and recommend changes to the Ministry Investment Fund policy and criteria. The Ministry Investment Fund policy and criteria were revised twice during the current triennium, in May 2014 and November 2015.
- Allocation of various internally designated funds.
- Issue a Request for Proposals for Audit Services for the 2016 audit.

6. Committee Staffing

The Committee continues to be staffed by Hanna Goschy, Treasurer & Chief Financial Officer. During the triennium we welcomed Marsha Bailey in the role of Controller. Emily DeLucia continues to provide excellent administrative support to FMC.

Respectfully submitted,

Robert Dickson, Chair, FMC

007-35-15-11

The Anglican Church of Canada Consolidated Trust Fund

Statement of Investment Policy and Goals

007-35-15-11

STATEMENT OF INVESTMENT POLICY AND GOALS

Section I – Governance

1. *Purpose of the Fund*

The Consolidated Trust Fund (CTF) exists primarily to invest endowment and trust funds of General Synod and the Missionary Society. Dioceses, parishes, and other Church-related institutions which have similar investment objectives may also use it for investing their assets, which will be held in trust by the CTF.

2. *Investment Objectives*

We are called to be God's stewards of funds entrusted to us. An understanding of stewardship is based in scripture. The first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers and stewards of all that God created, recognizing that all comes as a gift from God. As stewards we are responsible to tend these funds in a wise and just manner to the best of our ability.

3. *Administration of the Fund*

Responsibility for the CTF lies with the Financial Management Committee (FMC) of General Synod. FMC has appointed an Investment Sub-Committee which meets with the managers regularly and provides them with policy direction.

The Fund shall be managed in accordance with all applicable legal requirements including the Income Tax Act (Canada) and the Ontario Trustee Act. It is understood that any investment management ("the Manager") or any other agent or advisor providing services in connection with the Fund, shall accept and adhere to this Statement.

The Investment Sub-Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors. In particular, the services of a custodian (the "Custodian") and of one or more investment managers (the "Manager") are retained.

The Investment Sub-Committee shall:

- establish the Statement;
- select the Manager and Custodian;
- obtain advice, as required, regarding the legal and regulatory requirements and constraints set out in this Statement applicable to the Fund;
- on an annual basis, review the Statement and recommend appropriate amendments to FMC;
- provide regular reports to FMC;

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Section I – Governance
(cont'd)

- monitor the Fund and the investment performance of assets managed by each Manager and the performance of the Fund as a whole;
- inform the Manager of any significant deposits and withdrawals.

3.1 Investment Managers

The Manager is responsible for:

- maintaining an understanding of legal and regulatory requirements and constraints applicable to the Fund;
- selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- providing the Investment Sub-Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- attending meetings of the Investment Sub-Committee at least twice per year to review performance and to discuss proposed investment strategies;
- informing the Investment Sub-Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation;
- advising the Investment Sub-Committee of any elements of this Statement that could prevent attainment of the Fund's objectives;
- explaining the characteristics of new asset classes or investments and how they may assist in achieving the Fund's objectives;
- being available for consultation with the Investment Sub-Committee at all reasonable times;
- providing future outlook information during attendance at Investment Sub-Committee meetings; and
- advising on a quarterly basis of the compliance status with this policy.

3.2 Custodian

The Custodian is responsible for:

- holding the assets of the Fund in accordance with applicable legislation; and
- providing a quarterly consolidated report of the assets of the Fund to the Investment Sub-Committee.

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Section I – Governance
(cont'd)

4. *Conflict of Interest Policies*

4.1 *Sub-Committee Members*

- (a) A conflict of interest is deemed to exist when a fiduciary of the CTF has an interest of sufficient substance and proximity to his/her duties and powers with respect to the CTF, to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the CTF.
- (b) A fiduciary of the CTF must disclose any actual or perceived conflict of interest to the Chair of FMC, who shall disclose same to all FMC members as soon as possible.

4.2 *The Investment Manager*

The Investment Manager shall fully disclose to the Investment Sub-Committee information on any actual or potential conflicts of interest.

5. *Retention or Delegation of Voting Rights*

The Investment Manager is responsible for the voting of all proxies of holdings within the CTF using the best interests of the Fund as the sole voting criterion.

However, the Investment Sub-Committee reserves the right to vote any proxies directly.

The Investment Manager is to provide on a timely basis a record of voting and/or intention of voting to the Treasurer.

6. *Securities Lending*

Securities lending is permitted.

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STATEMENT OF INVESTMENT POLICY AND GOALS

Section II – Investment Policy and Strategy

1. Fund Objectives

1.1 Investment Objectives

The overall investment objectives, *in their order of priority*, of the Fund are to:

- preserve capital, as adjusted for Canadian Consumer Price Index (CPI) inflation and fund management expense;
- maintain liquidity; and
- generate a reasonable rate of return.

1.2 Corporate Social Responsibility

The Fund shall engage an investment manager that utilizes and applies an investment decision-making process where Socially Responsible Investing (SRI) screening would be used and implemented where feasible, prudent and effective.

SRI screening criteria will include areas of business activity that are generally considered to be controversial or ethically questionable. These criteria may include, but not be limited to: alcohol, gambling, military weapons, nuclear power, pornography and tobacco.

The Fund is to be invested in accordance with these guidelines even in the absence of special instructions.

2. Performance Objectives

The Investment Manager is expected to add value to the Fund through the proper use of asset mix and security selection in the context of not exposing the Fund to undue risk. On a four year moving average basis, the CTF expects investment returns to exceed the benchmark return by 75 or more points net of fees.

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Section II – Investment Policy and Strategy (cont'd)

3.Asset Mix, Ranges and Benchmark Indices

Asset Class	Strategic Target	Range	Benchmark
Cash & short-term	5%	0%-20%	DEX 91 Day T-Bill Index
Bonds	30%	30% - 75%	DEX Universe Bond Index
Equities	45%	30% - 60%	
Canadian	22.5%	15% - 60%	S&P/TSX Composite Index
Foreign	22.5%	15%- 60%	MSCI World Index (ex Canada)
Alternatives			
Real Estate	5%	0% - 5%	
Infrastructure	5%	0% - 5%	
Market Neutral Strategies	10%	0%-10%	Scotia Capital 91-day T-Bill Index

4.Risk Guidelines

All allocations are based on market values at time of purchase. The assets of the Fund will be invested at all times in a prudently diversified manner.

Derivative securities may be used in the portfolio for income generation (e.g. through the sale of covered call options), currency exposure management (e.g. currency forward contracts) or to obtain exposure to capital markets through the use of synthetic securities (e.g. future contracts). Derivative securities may not be used for speculative purposes and cannot be used to add leverage to the portfolio.

4.1 Cash and Cash Equivalents

At least R1-low.

Maximum term to maturity for any single security is one (1) year.

Maximum exposure to corporate issues is 50% of the cash pool.

4.2 Fixed Income

The average credit quality of the overall bond portfolio holdings will be at least "A" rated.

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Section II – Investment Policy and Strategy (cont'd)

4.3 Canadian Equities

The Fund must be well diversified across industry sectors and capitalization ranges consistent with the following:

- (a) No one equity holding shall represent more than 15% of the market value of each equity portfolio.
- (b) There will be a minimum of 30 stocks in each equity portfolio.
- (c) No more than 15% of the market value of an equity portfolio may be invested in companies with a market capitalization of less than \$250 million at the time of purchase.

4.4 Foreign Equities

Same as above except international holdings will be broadly diversified by region, industry, country and currency.

4.5 Alternative Investments

The portfolio manager may invest in Alternative Investment asset classes including Real Estate, Infrastructure and Market Neutral Strategies in accordance with the Asset Class ranges outlined in Section II, Clause 3.

Real Estate

The investment objective of the Real Estate portfolio is to invest in income producing real property, real estate related securities, and such other property or investments in Canada. Investments will be made directly in a diversified portfolio of primarily office, retail and industrial properties in Canadian urban and select tertiary markets. The strategy is expected to produce net returns in the 8-11% range over time. The portfolio may also invest in cash, money market and short term debt instruments as appropriate.

Asset Size

- ☐ Investments will be made in properties that range in size from \$10-50 million dollars.
- ☐ Individual properties are not to exceed 25% of the market value of the Portfolio.

Indebtedness

- ☐ Individual properties will typically be financed with debt between 40 and 60% of the market value of the property
- ☐ Individual property indebtedness cannot exceed 80% of the market value at time of acquisition.
- ☐ In aggregate the indebtedness of the Real Estate portfolio cannot exceed 65% of market value at the time the money is borrowed.

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Geographical Diversification

- ☐ The Real Estate portfolio is diversified by region including significant allocations to Ontario, Alberta, British Columbia and Quebec.

Liquidity

- ☐ The assets of the Real Estate portfolio are illiquid and there can be no assurance that the Consolidated Trust Fund or the Partnerships will be able to realize on their respective investments in a timely manner.

Infrastructure

The Infrastructure portfolio will invest primarily in limited partnership investments. The limited partnerships will primarily target construction stage infrastructure assets although operating stage assets may also be considered. Assets fall in two broad categories: (i) Energy infrastructure assets, including power generation (hydroelectric, wind, solar, cogeneration), electricity transmission, district heating/cooling, energy conservation and other projects, and (ii) traditional infrastructure assets, including roads, schools, bridges, hospitals, water distribution and treatment, and other projects.

Asset Size

- ☐ The Infrastructure portfolio will be invested in projects that range in size from \$50-\$750 million dollars.

Indebtedness

- ☐ The Infrastructure portfolio may borrow an amount not exceeding 10% of portfolio net asset value in order to provide some measure of flexibility for cash management purposes including in funding its expenses, subscriptions in one or more partnerships and redemptions of portfolio units.

Liquidity

- ☐ The assets of the Infrastructure portfolio and the partnerships are illiquid and there can be no assurance that the portfolio or the partnerships will be able to realize on their respective investments in a timely manner.

Market Neutral Strategies

Market Neutral Strategies may invest in Canadian, U.S. and international equity and debt securities, preferred shares, convertible bonds, cash, cash equivalents, Global Depository Receipts, American Depository Receipts, collective investment vehicles including pooled funds, closed-end funds, exchange traded funds (such as iShares) and derivatives. The portfolio may make such investments directly or indirectly through other funds, including funds managed by the Manager. The portfolio or the underlying funds may use leverage in order to meet their stated investment objective. The Market Neutral Strategies portfolio, in making investments, will engage in short selling, borrow securities and use leverage. Derivative instruments will only be used in ways

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that are consistent with the portfolio's investment objectives. Counterparty risk arising from derivative transactions will be limited to credits rated "A" or better. Derivative instruments used may include but are not limited to futures, forwards, options, swaps and structured notes.

4.6 Notwithstanding this Section, it is recognized by the Investment Committee that complete adherence to these diversification and constraint standards within a pooled fund may not be entirely possible. To the extent that the portfolio is invested either in whole or in part in an Investment Manager's pooled funds, the foregoing investment constraints, and any other provisions of the Investment Policy Statement that may be affected, shall not apply but the Investment Manager shall be governed by the Investment Manager's own investment policies for the pooled funds. The investment manager shall provide such policies to the Investment Committee of the Consolidated Trust Fund and shall inform the Investment Committee when and how the policies of the funds differ from the Consolidated Trust Fund Investment Policy Statement. Such differences shall not be substantial deviations from the overall intent of the Consolidated Trust Fund investment policy. The intention of this provision is to allow, in the case of pooled funds, the necessary latitude for the implementation of the investment strategy of the Consolidated Trust Funds investments.

5. Reporting & Monitoring

5.1 Investment Reports

Each quarter the Manager will provide to the Investment Sub-Committee, within twenty business days from the last day of the quarter, a written report containing the following information:

- Fund holdings at the end of the quarter;
- Fund transactions during the quarter;
- Rates of return for the Fund with comparisons with relevant indexes or benchmarks; and
- A compliance report stating that the assets of the Fund are invested in compliance with this Statement.

5.2 Monitoring

At the discretion of the Investment Sub-Committee as required, the Manager will meet with the Investment Sub-Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's future strategies and other issues as requested;
- the filing of compliance reports; and
- the Manager's report.

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Section II – Investment Policy and Strategy (cont'd)

5.3 Annual Review

It is the intention of the Investment Sub-Committee to ensure that this Statement is continually appropriate to the FMC's needs and responsible to changing economic and investment conditions. Therefore, the Statement shall be reviewed annually by the Investment Sub-Committee.

6. Standard Of Care

The Manager is expected to comply, at all times and in all respects, with the code of ethics and standards of professional conduct as promulgated by the professional organization of which s(he) is a member (CFA, CSI, etc) as well as those of the Ontario Securities Commission.

The Manager will manage the assets with the care, diligence and skill that a prudent Investment Manager would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

ACKNOWLEDGEMENT

APPROVED

Financial Management Committee

The General Synod of the
Anglican Church of Canada

Hanna Goschy
Signature

Hanna Goschy
Name

Treasurer & Chief Financial Officer

Nov 16 - 2015
Date

ACCEPTED

Investment Manager

Corey MacEachern
Signature

Corey MacEachern
Name

President

Nov 30 / 15
Date

Audited Financial Statements

As provided by Canon VI, sections 4 c) and d), draft audited financial statements are presented for approval to members of the General Synod in a year that the Synod meets.

Current procedures of our Auditor, Ernst & Young LLP, are such that audited financial statements are considered *draft* until final approval by the governing body. At that time, the word 'draft' will be removed and the signature of the Auditor will be affixed.

Draft audited financial statements for the fiscal year ended December 31, 2015 for the following entities are appended as follows.

- | | |
|---|----------------|
| • The Anglican Church of Canada Resolution Corporation | Appendix B (1) |
| • The Anglican Church of Canada Consolidated Trust Fund | Appendix B (2) |
| • The General Synod of the Anglican Church of Canada | Appendix B (3) |

Financial Statements

**The Anglican Church of Canada
Resolution Corporation**

December 31, 2015

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of **The Anglican Church of Canada Resolution Corporation**, which comprise the statement of financial position as at December 31, 2015 and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Draft for presentation to General Synod on July 8, 2016

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Anglican Church of Canada Resolution Corporation** as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
July 8, 2016

The Anglican Church of Canada Resolution Corporation

STATEMENT OF FINANCIAL POSITION

As at December 31

	2015 \$	2014 \$
ASSETS		
Current		
Cash and cash equivalents	1,413,802	5,088,480
	1,413,802	5,088,480
LIABILITIES AND FUND BALANCES		
Current		
Due to The General Synod of the Anglican Church of Canada <i>[note 5[c]]</i>	152,880	361,526
Grants payable	226,832	219,350
Other	18,773	18,773
Total current liabilities	398,485	599,649
Fund balances		
Settlement Fund <i>[note 2]</i>	—	2,764,300
Anglican Fund for Healing and Reconciliation <i>[notes 2[c] and 4]</i>	1,015,317	1,724,531
General Fund	—	—
Total fund balances	1,015,317	4,488,831
	1,413,802	5,088,480

See accompanying notes

The Anglican Church of Canada Resolution Corporation

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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Interest income	—	—	7,447	29,557	10,013	10,550	17,460	40,107
	—	—	7,447	29,557	10,013	10,550	17,460	40,107
EXPENSES								
Return of unrequired funds to Anglican Entities <i>[note 2[c]]</i>	2,764,300	—	—	—	—	—	2,764,300	—
Grants	—	—	709,214	589,656	—	—	709,214	589,656
Other <i>[note 5[b]]</i>	—	121,857	7,447	29,557	10,013	10,550	17,460	161,964
	2,764,300	121,857	716,661	619,213	10,013	10,550	3,490,974	751,620
Deficiency of revenue over expenses for the year	(2,764,300)	(121,857)	(709,214)	(589,656)	—	—	(3,473,514)	(711,513)
Fund balances, beginning of year	2,764,300	3,056,252	1,724,531	2,144,092	—	—	4,488,831	5,200,344
Fund transfer <i>[notes 2[c] and 4[b]]</i>	—	(170,095)	—	170,095	—	—	—	—
Fund balances, end of year	—	2,764,300	1,015,317	1,724,531	—	—	1,015,317	4,488,831

See accompanying notes

The Anglican Church of Canada Resolution Corporation

STATEMENT OF CASH FLOWS

Year ended December 31

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(3,473,514)	(711,513)
Changes in non-cash working capital balances related to operations		
Due to The General Synod of the Anglican Church of Canada	(208,646)	78,675
Grants payable	7,482	33,496
Cash used in operating activities	(3,674,678)	(599,342)
Net decrease in cash and cash equivalents during the year	(3,674,678)	(599,342)
Cash and cash equivalents, beginning of year	5,088,480	5,687,822
Cash and cash equivalents, end of year	1,413,802	5,088,480

See accompanying notes

The Anglican Church of Canada Resolution Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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. The Corporation has continued under the Not-for-profit Corporations Act. ACCRC is a not-for-profit organization and is exempt from income taxes under the Income Tax Act (Canada).

Its primary purpose is to operate and manage a fund [the "Settlement Fund"] contributed to 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 a total of \$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 of \$6,699,125 for IRS Abuse Claims paid by the Anglican Entities to November 20, 2005.

The Anglican Church of Canada Resolution Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

- [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] A minimum of \$402,367 of in-kind services, or cash payments into the AFHR from the Settlement Fund *[note 4[b]]* each year over a ten-year period commencing in 2008, or until the contributions total \$4,023,675, whichever comes earlier. This amount can be used to fund projects carried out by the 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 in proportion 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 based on contributions received by September 19, 2014, the date the Catholic Entities’ fundraising campaign terminates.

Based on information received with respect to the contributions received by the Catholic Entities, the decision was made that the maximum amount should be retained in the Settlement Fund pending receipt of information that confirms the amount raised by the Catholic Entities and therefore the amount refundable to the Anglican Entities. The maximum amount that may be refunded to the Anglican Entities from the Settlement Fund was \$2,764,300.

Confirmation of the results of the Catholic Entities’ fundraising campaign was received in 2015 and indicated that the full \$2,764,300 was eligible for return to the Anglican Entities. Funds were returned in fiscal 2015 and the Settlement Fund is now fully depleted.

- [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 income earned may be recovered from the Settlement Fund if approved by the Government of Canada.

The Anglican Church of Canada Resolution Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

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.

Financial instruments

Financial instruments, including amounts payable, are initially recorded at fair value and subsequently measured at cost.

The Anglican Church of Canada Resolution Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

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.

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 of \$402,367 from the Settlement Fund to the AFHR were made from 2008 to 2013 in accordance with the Anglican Amending Agreement. In 2014, \$170,095 was transferred to the AFHR, which represents the amount in the Settlement Fund after setting aside the maximum amount that may be refunded to the Anglican Entities of \$2,764,300 [note 2[c]]. No further amounts were transferred as the Settlement Fund was depleted following the refund to the Anglican Entities during 2015.

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

- [a] General Synod provides administrative support to ACCRC at no cost and makes payments on behalf of ACCRC.

The Anglican Church of Canada Resolution Corporation

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

- [b] In 2015, General Synod incurred expenses of \$156,997 [2014 – \$151,414] related to the cost of administering the AFHR.

In 2014, the full amount of \$151,414 was included in other expenses. In accordance with the Anglican Amending Agreement, charges equal to interest earned on funds held for the AFHR of \$29,557 was recorded as other expenses in the AFHR. The amount in excess of interest income, \$121,857, was charged to the Settlement Fund. In 2014, other expenses in the General Fund included \$4,873 representing expenses incurred in the General Fund in excess of interest income.

In 2015, the Settlement Fund was fully depleted. Other expenses charged to the AFHR of \$7,447 represents the maximum available to partially defray expenses of \$156,997 incurred by General Synod to administer the AFHR and is equal to the interest income earned on funds held for the AFHR. Other expenses in the General Fund include \$8,377 representing expenses incurred in the General Fund in excess of interest income.

- [c] As at December 31, 2015, an amount of \$152,880 [2014 – \$361,526] is due to General Synod. Amounts due to/from General Synod are non-interest bearing and due on demand.

Financial Statements

**The Anglican Church of Canada
Consolidated Trust Fund**

December 31, 2015

INDEPENDENT AUDITORS' REPORT

To the Financial Management Committee of
The General Synod of the Anglican Church of Canada as Trustees of
The Anglican Church of Canada Consolidated Trust Fund

We have audited the accompanying financial statements of **The Anglican Church of Canada Consolidated Trust Fund**, which comprise the statement of financial position as at December 31, 2015 and the statement of operations and changes in net assets for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Draft for presentation to General Synod on July 8, 2016

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Anglican Church of Canada Consolidated Trust Fund** as at December 31, 2015 and the results of its operations and changes in its net assets for the year then ended in accordance with Canadian accounting standards for private enterprises.

Toronto, Canada
July 8, 2016

The Anglican Church of Canada Consolidated Trust Fund

STATEMENT OF FINANCIAL POSITION

As at December 31

	2015 \$	2014 \$
ASSETS		
Cash	150,783	87,235
Accrued income	26,720	24,165
Investments, at market value <i>[note 3]</i>	24,174,346	22,679,732
	24,351,849	22,791,132
LIABILITIES		
Accounts payable and accrued liabilities	23,120	23,120
Accrued income distributions	2,195,377	336,636
	2,218,497	359,756
Net assets	22,133,352	22,431,376
Consisting of		
Income	—	—
Capital	22,133,352	22,431,376
	22,133,352	22,431,376

See accompanying notes

The Anglican Church of Canada Consolidated Trust Fund

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended December 31

	Total		Income		Capital	
	2015	2014	2015	2014	2015	2014
	\$	\$	\$	\$	\$	\$
INCOME						
Interest and dividends	682,262	616,713	682,262	616,713	—	—
Unrealized gain on foreign exchange	475,834	195,776	—	—	475,834	195,776
Realized gain on investments	2,046,516	251,125	—	—	2,046,516	251,125
Change in unrealized gain (loss) on investments	(2,339,647)	801,250	—	—	(2,339,647)	801,250
	864,965	1,864,864	682,262	616,713	182,703	1,248,151
EXPENSES						
Fees	145,859	141,495	145,859	141,495	—	—
Increase in net assets from operations	719,106	1,723,369	536,403	475,218	182,703	1,248,151
Net assets, beginning of year	22,431,376	20,250,076	—	247,962	22,431,376	20,002,114
Additions to capital invested	1,860,153	1,634,838	—	—	1,860,153	1,634,838
Withdrawal of capital invested	(294,363)	(202,602)	—	—	(294,363)	(202,602)
Distributions	(2,582,920)	(974,305)	(536,403)	(723,180)	(2,046,517)	(251,125)
Net assets, end of year	22,133,352	22,431,376	—	—	22,133,352	22,431,376

See accompanying notes

Draft for presentation to General Synod on July 8, 2016

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. DESCRIPTION AND PURPOSE OF THE TRUST

The Anglican Church of Canada Consolidated Trust Fund [“The Consolidated Trust Fund”] is a trust established pursuant to the Church of England Consolidated Trust Fund Act, 1951 [Chap. 34, Statutes of Canada, 1951 [2nd Session]]. The name of the trust was changed to its present form in 1956 [Chap. 57, Statutes of Canada, 1956]. The Consolidated Trust Fund is authorized to receive personal property, securities and moneys of The General Synod of the Anglican Church of Canada [“General Synod”] and The Missionary Society of the Anglican Church of Canada [“The Missionary Society”] and to manage and invest such as one general trust fund. In addition, The Consolidated Trust Fund may hold for investment any trust funds or other securities or moneys vested in or held by any department, board, council or committee of General Synod or of The Missionary Society, or held by any Provincial or Diocesan Synod in Canada or any board or committee thereof.

The Consolidated Trust Fund is managed as a pooled fund with participants being allocated units pro-rata to the value of their contributions made to The Consolidated Trust Fund for investment purposes.

All participants in The Consolidated Trust Fund are registered charities under the Income Tax Act (Canada) and are exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook – Accounting, which sets out generally accepted accounting principles for private enterprises in Canada and includes the significant accounting policies described hereafter.

Basis of presentation

Realized and unrealized gains (losses) on investments and foreign exchange are recorded in the capital section of the statement of operations and changes in net assets.

Interest and dividends are recorded in the income section of the statement of operations and changes in net assets.

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historical rate. Exchange gains and losses are recorded in the statement of operations and changes in net assets.

3. INVESTMENTS

Investments, at market value, consist of the following:

	2015		2014	
	\$	%	\$	%
Fixed income				
Canadian pooled funds	10,557,244	43.7	10,287,173	45.4
Total fixed income	10,557,244	43.7	10,287,173	45.4
Equities				
Canadian equities	6,464,806	26.8	6,446,099	28.4
Canadian equity pooled funds	—	—	126,587	0.6
U.S. equities	2,892,138	12.0	2,523,863	11.1
Global equity pooled funds	2,258,960	9.3	1,659,834	7.3
Total equities	11,615,904	48.1	10,756,383	47.4
Alternative investments				
Multi-strategy hedge fund	1,221,273	5.0	1,127,314	5.0
Total alternative investments	1,221,273	5.0	1,127,314	5.0
Real estate				
Canadian real estate pooled fund	779,925	3.2	508,862	2.2
Total real estate	779,925	3.2	508,862	2.2
	24,174,346	100.0	22,679,732	100.0

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Investments are managed by Connor, Clark & Lunn Private Capital Ltd.

4. PARTICIPANTS' UNITS AND INCOME DISTRIBUTIONS

All investments are pooled and each participant in The Consolidated Trust Fund is allocated units. As at December 31, 2015, there were 917,363 units [2014 – 858,211] issued. The market value of each unit as at December 31, 2015 was \$24.13 [2014 – \$26.14].

Income distributions during the year were \$0.59 [2014 – \$0.87] per unit.

Realized capital gain distributions during the year were \$2.23 [2014 – \$0.29] per unit.

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

[a] General Synod receives contributions and makes payments on behalf of The Consolidated Trust Fund. As at December 31, 2015 and 2014, there was no amount due to General Synod. Any amount due to General Synod is non-interest bearing and due on demand.

[b] General Synod provides administrative services at no cost to The Consolidated Trust Fund.

6. FINANCIAL INSTRUMENTS

The Consolidated Trust Fund is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Consolidated Trust Fund is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Consolidated Trust Fund is exposed to credit risk in connection with its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Interest rate risk

The Consolidated Trust Fund is exposed to interest rate risk with respect to its investment in a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Consolidated Trust Fund is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equities and pooled funds.

Consolidated Financial Statements

**The General Synod of the
Anglican Church of Canada**
December 31, 2015

Draft for presentation to General Synod on July 8, 2016

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of **The General Synod of the Anglican Church of Canada**, which comprise the consolidated statement of financial position as at December 31, 2015 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Draft for presentation to General Synod on July 8, 2016

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **The General Synod of the Anglican Church of Canada** as at December 31, 2015 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
July 8, 2016

Draft for presentation to General Synod on July 8, 2016

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2015 \$	2014 \$
ASSETS		
Current		
Cash and cash equivalents	1,326,565	1,879,788
Accounts receivable <i>[note 14[c]]</i>	3,120,988	1,791,502
Inventory	221,472	129,735
Prepaid expenses and other assets	138,373	128,798
Total current assets	4,807,398	3,929,823
Investments <i>[note 4]</i>	16,692,301	17,152,979
Car and staff housing loans <i>[note 5]</i>	514,685	439,397
Capital assets, net <i>[note 6]</i>	2,742,215	2,826,425
	24,756,599	24,348,624
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	1,372,280	1,503,411
Deferred contributions <i>[note 7]</i>	2,876,110	2,766,396
Total current liabilities	4,248,390	4,269,807
Annuities <i>[note 8]</i>	2,036,910	2,173,921
Total liabilities	6,285,300	6,443,728
Contingencies <i>[notes 2[e] and 15]</i>		
Net assets		
Unrestricted	3,063,644	2,930,923
Internally designated <i>[note 9]</i>	10,970,077	10,574,747
Endowments <i>[note 10]</i>	4,437,578	4,399,226
Total net assets	18,471,299	17,904,896
	24,756,599	24,348,624

See accompanying notes

Draft for presentation to General Synod on July 8, 2016

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2015 \$	2014 \$
REVENUE		
Contributions from dioceses	8,501,480	8,368,195
Anglican Journal	1,539,071	1,558,964
Resources for Mission <i>[note 7[a]]</i>	1,287,814	1,238,307
Other <i>[note 2[c] and 14[b]]</i>	882,381	569,440
ABC Publishing	169,160	198,772
	12,379,906	11,933,678
EXPENSES		
Council of the North grants	2,149,954	2,149,954
Anglican Journal	2,087,671	1,989,547
Administration	1,457,574	1,601,899
Relationships	1,256,880	1,111,297
Governance <i>[note 14[b]]</i>	1,073,018	1,028,271
Indigenous Ministries	957,217	571,476
Resources for Mission <i>[note 12]</i>	892,850	902,452
Communications and information resources <i>[note 12]</i>	849,964	885,936
Primate and House of Bishops	640,018	581,827
Faith, Worship and Ministry	496,748	434,492
Diocesan support <i>[note 12]</i>	250,707	295,503
ABC Publishing <i>[note 12]</i>	67,637	124,137
Miscellaneous	193,830	192,789
	12,374,068	11,869,580
Excess of revenue over expenses before the following	5,838	64,098
Investment income <i>[note 11]</i>	344,317	842,512
Undesignated legacies	177,896	203,442
Excess of revenue over expenses for the year	528,051	1,110,052

See accompanying notes

Draft for presentation to General Synod on July 8, 2016

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	<u>Unrestricted</u>		<u>Internally designated</u>		<u>Endowments</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$	\$	\$	\$
			<i>[note 9]</i>		<i>[note 10]</i>			
Net assets, beginning of year	2,930,923	2,428,786	10,574,747	9,966,832	4,399,226	4,160,416	17,904,896	16,556,034
Excess of revenue over expenses for the year	528,051	1,110,052	—	—	—	—	528,051	1,110,052
Transfer to internally designated net assets, net <i>[note 9]</i>	(395,330)	(607,915)	395,330	607,915	—	—	—	—
Investment income allocated to externally restricted endowments <i>[note 11]</i>	—	—	—	—	38,352	238,810	38,352	238,810
Net assets, end of year	3,063,644	2,930,923	10,970,077	10,574,747	4,437,578	4,399,226	18,471,299	17,904,896

See accompanying notes

Draft for presentation to General Synod on July 8, 2016

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2015 \$	2014 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	528,051	1,110,052
Add item not affecting cash		
Amortization	121,879	114,605
Net change in non-cash working capital balances related to operations	(1,452,215)	416,398
Reinvested investment income	(344,317)	(842,512)
Cash provided by (used in) operating activities	(1,146,602)	798,543
INVESTING ACTIVITIES		
Purchase of capital assets	(37,669)	(54,392)
Withdrawals from (contributions to) The Consolidated Trust Fund, net	843,347	(892,122)
(Increase) decrease in car and staff housing loans	(75,288)	25,714
Issuance of annuities	49,000	456,780
Other changes in annuities, net	(186,011)	(173,952)
Cash provided by (used in) investing activities	593,379	(637,972)
Net increase (decrease) in cash and cash equivalents during the year	(553,223)	160,571
Cash and cash equivalents, beginning of year	1,879,788	1,719,217
Cash and cash equivalents, end of year	1,326,565	1,879,788

See accompanying notes

Draft for presentation to General Synod on July 8, 2016

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015

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 and The Missionary Society of the Anglican Church of Canada [“The Missionary Society”].

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”] [note 14].

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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. If the Catholic Entities do not contribute the maximum amount, the amount that the Anglican Entities are required to contribute to the AFHR will be reduced in proportion to the Catholic Entities’ shortfall. The maximum amount that may be refunded to the Anglican Entities from the Settlement Fund was \$2,764,300. The amount to be refunded, if any, will be determined once the amount contributed by the Catholic Entities towards IRS Abuse Claims has been finalized.

Confirmation of the results of the Catholic Entities’ fundraising campaign was received in 2015 and indicated that the full \$2,764,300 was eligible for return to the Anglican Entities. Funds were returned in fiscal 2015 and the Settlement Fund is now fully depleted. Other revenue in the consolidated statement of operations includes a return of \$324,509 to General Synod.

[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]*.

[e] General Synod is a co-defendant with the Government of Canada and certain dioceses in a number of legal cases involving substantial claims arising from the operation of IRS. The Anglican Amending Agreement provides that the Government of Canada will be responsible for payment of all further amounts related to residential schools’ claims covered by the Settlement Agreement.

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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 2006 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

General Synod follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims.

Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when initially recorded in the accounts.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the consolidated statement of operations, except to the extent that it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

Publishing revenue is recognized at the point of sale. Advertising and subscription revenue related to the Anglican Journal is recognized when the publication is distributed.

Grants

Grants are recorded when approved and the recipient has met all conditions.

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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.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable, car and staff housing loans, and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

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.

Capital assets

Capital assets 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.

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Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the consolidated statement of financial position. Non-monetary assets and liabilities are translated at the historical rate. Exchange gains and losses are included in the consolidated statement of operations, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

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.

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

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, since General Synod has insufficient information to apply defined benefit plan accounting.

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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's investments are managed by Connor, Clark & Lunn Private Capital Ltd. General Synod provides administrative support to The Consolidated Trust Fund at no cost.

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

	2015		2014	
	\$	%	\$	%
Cash and cash equivalents	121,672	1	83,841	1
Fixed income				
Canadian pooled fund	7,236,600	44	7,742,295	45
Total fixed income	7,236,600	44	7,742,295	45
Equities				
Canadian equities	4,431,388	26	4,946,711	29
U.S. equities	1,982,455	12	1,899,501	11
Global equity pooled funds	1,548,438	9	1,249,218	7
Total equities	7,962,281	47	8,095,430	47
Alternative investments				
Multi-strategy hedge fund	837,138	5	848,435	5
Total alternative investments	837,138	5	848,435	5
Real estate				
Canadian real estate pooled fund	534,610	3	382,978	2
Total real estate	534,610	3	382,978	2
	16,692,301	100	17,152,979	100

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5. CAR AND STAFF HOUSING LOANS

Car and staff housing loans consist of the following:

	2015 \$	2014 \$
Car loans, non-interest bearing, due within 40 months of date of issue, guaranteed by dioceses	220,635	143,966
Staff housing loans, with interest payable at 3.09%, due 2037 [2014 – 3.09%, due 2037]	294,050	295,431
	514,685	439,397

Car loans are available to clergy and lay workers in the assisted dioceses, with the maximum individual loan being \$13,000.

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

6. CAPITAL ASSETS

Capital assets consist of the following:

	2015	
	Cost \$	Accumulated amortization \$
Building	3,416,967	792,660
Furniture and equipment	2,613,740	2,495,832
	6,030,707	3,288,492
Less accumulated amortization	3,288,492	
Net book value	2,742,215	

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	2014	
	Cost	Accumulated
	\$	amortization
		\$
Building	3,416,967	707,275
Furniture and equipment	2,576,071	2,459,338
	5,993,038	3,166,613
Less accumulated amortization	3,166,613	
Net book value	2,826,425	

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 is equal to expenses incurred for the restricted purposes during the year.

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

	2015	2014
	\$	\$
Increase		
Donations, grants and bequests	954,476	1,127,806
Investment income <i>[note 11]</i>	103,991	94,384
	1,058,467	1,222,190
Decrease		
Income recognized related to expenses for restricted purposes	948,753	754,101
Net increase in deferred contributions	109,714	468,089
Balance, beginning of year	2,766,396	2,298,307
Balance, end of year	2,876,110	2,766,396

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8. 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.

9. INTERNALLY DESIGNATED NET ASSETS

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

	2015 \$	2014 \$
Ministry Investment Fund	3,700,254	3,688,099
Amounts invested in capital assets <i>[note 6]</i>	2,742,215	2,826,425
Provision for contingencies	1,490,341	1,240,341
Provision for General Synod - 2016 meeting	985,208	735,208
ACCRC returned funds	324,509	—
Provision for Nationwide Fundraising Initiative	114,200	114,200
Provision for Sacred Circle		
2015 meeting	—	452,243
2018 meeting	93,118	—
Other	1,520,232	1,518,231
	10,970,077	10,574,747

The Ministry Investment Fund includes a portion of undesignated legacies that are restricted for internal projects that meet certain criteria.

10. 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.

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11. INVESTMENT INCOME

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

	2015 \$	2014 \$
Total investment income	554,415	1,336,346
Allocated to		
Externally restricted endowments	38,352	238,810
Deferred contributions related to <i>[note 7[b]]</i>		
Endowments	80,852	83,862
Other	23,139	10,522
Annuities	67,755	160,640
	210,098	493,834
Investment income recognized in the consolidated statement of operations	344,317	842,512

12. ALLOCATION OF EXPENSES

Diocesan support expenses include \$47,400 [2014 – \$66,910] of expenses allocated from Resources for Mission expenses related to support provided by General Synod employees to the dioceses.

ABC Publishing expenses include \$15,745 [2014 – \$14,885] related to information resources.

13. PENSION PLAN

General Synod and its employees make contributions to the General Synod Pension Plan [the “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. The most recent valuation for financial reporting purposes completed by the Plan as of December 31, 2014 disclosed net assets available for benefits of \$655,428,000 with pension obligations of \$642,125,000, resulting in a surplus of \$13,303,000.

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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. In 2015, administration costs incurred by General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$7,447 [2014 – \$151,414]. The expense is included in governance expenses in the consolidated statement of operations and the reimbursement in other revenue. Grants paid by General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$365,396 [2014 – \$364,822].
- [c] As at December 31, 2015, an amount of \$152,880 [2014 – \$361,526] due from ACCRC is included in accounts receivable. Amounts due from ACCRC are non-interest bearing and due on demand.

15. CONTINGENCIES

- [a] General Synod's contingent liabilities in connection with IRS 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. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

16. FINANCIAL INSTRUMENTS

General Synod is exposed to various financial risks through transactions in financial instruments.

Currency risk

General Synod is exposed to foreign currency risk with respect to the underlying investments held in The Consolidated Trust Fund denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

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Credit risk

General Synod is exposed to credit risk in connection with its accounts receivable, car and staff housing loans, and the short-term and fixed income investments held in The Consolidated Trust Fund because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

General Synod is exposed to interest rate risk with respect to the investments in fixed income investments held in The Consolidated Trust Fund and its annuities payable because the fair value will fluctuate due to changes in market interest rates.

Other price risk

General Synod is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with the investments in equity securities and pooled funds held in The Consolidated Trust Fund.

17. LINE OF CREDIT

General Synod has a demand operating line of credit of \$2,000,000 with interest payable at prime plus 1.0% with substantially all of its assets pledged as security. As at December 31, 2015 and 2014, no amount was outstanding.

18. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2015 consolidated financial statements.