

Consolidated Financial Statements

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

December 31, 2011

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, 2011 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 generally accepted accounting principles, 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

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, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Canada,
May 27, 2012.

Ernst + Young LLP

Chartered Accountants
Licensed Public Accountants

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31

	2011 \$	2010 \$
ASSETS		
Current		
Cash and cash equivalents	2,526,410	2,571,646
Accounts receivable <i>[note 14[c]]</i>	1,141,418	1,327,138
Inventory	170,666	196,573
Prepaid expenses and other assets	205,044	110,606
Total current assets	4,043,538	4,205,963
Investments <i>[note 4]</i>	11,607,373	10,507,712
Car and staff housing loans <i>[note 5]</i>	509,595	533,154
Property and equipment, net <i>[note 6]</i>	3,105,720	3,261,261
	19,266,226	18,508,090
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	1,226,498	1,953,801
Funds held for other organizations	51,799	46,698
Total current liabilities	1,278,297	2,000,499
Deferred contributions <i>[note 7]</i>	1,413,397	1,385,584
Annuities <i>[note 8]</i>	1,677,271	1,913,235
Total liabilities	4,368,965	5,299,318
Contingencies and commitments <i>[notes 2[e] and 15]</i>		
Net assets		
Unrestricted	1,331,206	1,430,383
Internally designated <i>[note 9]</i>	9,865,203	7,916,748
Endowments <i>[note 10]</i>	3,700,852	3,861,641
Total net assets	14,897,261	13,208,772
	19,266,226	18,508,090

See accompanying notes

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31

	2011 \$	2010 \$
REVENUE		
Contributions from dioceses	8,310,798	8,405,474
Resources for Mission	879,998	1,066,277
Anglican Journal	2,087,044	2,086,230
ABC Publishing	276,440	320,192
Investment income [note 11]	—	362,980
Other [note 14[b]]	610,491	570,088
	12,164,771	12,811,241
EXPENSES		
Relationships [note 14[b]]	919,210	1,575,119
Council of the North grants	2,416,740	2,327,035
Indigenous Ministries	427,801	430,228
Faith, Worship and Ministry	384,339	407,526
Governance	936,562	1,320,408
Primate and House of Bishops	479,918	552,703
Diocesan support [note 12]	426,613	644,899
Communications and Information resources [note 12]	757,615	752,444
Anglican Journal	2,671,370	2,559,774
ABC Publishing [note 12]	196,417	284,778
Resources for Mission [note 12]	904,381	652,437
Administration [note 12]	1,479,422	1,850,253
Investment loss [note 11]	164,842	—
Miscellaneous	220,435	278,339
	12,385,665	13,635,943
Deficiency of revenue over expenses for the year before the following	(220,894)	(824,702)
Undesignated legacies	2,070,172	589,078
Excess (deficiency) of revenue over expenses for the year	1,849,278	(235,624)

See accompanying notes

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CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31

	Unrestricted		Internally designated		Endowments		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$	\$	\$
	[note 9]		[note 10]					
Net assets, beginning of year	1,430,383	2,275,680	7,916,748	7,307,075	3,861,641	3,650,479	13,208,772	13,233,234
Excess (deficiency) of revenue over expenses for the year	1,849,278	(235,624)	—	—	—	—	1,849,278	(235,624)
Transfer to internally designated net assets [note 9]	(1,948,455)	(609,673)	1,948,455	609,673	—	—	—	—
Endowment contributions [note 10]	—	—	—	—	21,901	—	21,901	—
Investment income (loss) allocated to externally restricted endowments [note 11]	—	—	—	—	(182,690)	211,162	(182,690)	211,162
Net assets, end of year	1,331,206	1,430,383	9,865,203	7,916,748	3,700,852	3,861,641	14,897,261	13,208,772

See accompanying notes

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31

	2011 \$	2010 \$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses for the year	1,849,278	(235,624)
Add (deduct) items not affecting cash		
Amortization	213,274	210,094
Investment loss (income)	164,842	(362,980)
Net change in non-cash working capital balances related to operations	(610,114)	753,503
Increase in deferred contributions	27,813	242,175
Increase (decrease) in funds held for other organizations	5,101	(2,630)
Cash provided by operating activities	1,650,194	604,538
INVESTING ACTIVITIES		
Purchase of property and equipment	(57,733)	(114,773)
Purchase of investments, net	(1,447,193)	(583,779)
Decrease in car and staff housing loans	23,559	87,961
Increase (decrease) in annuities, net	(235,964)	135,048
Cash used in investing activities	(1,717,331)	(475,543)
FINANCING ACTIVITIES		
Endowment contributions	21,901	—
Cash provided by financing activities	21,901	—
Net change in cash and cash equivalents during the year	(45,236)	128,995
Cash and cash equivalents, beginning of year	2,571,646	2,442,651
Cash and cash equivalents, end of year	2,526,410	2,571,646

See accompanying notes

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011

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"]. During the year, the Anglican Journal, which was a separate legal entity controlled by General Synod, was unincorporated and the assets, liabilities and operations were transferred to General Synod.

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"].
- [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

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Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 [the "Anglican Amending Agreement"].

- [c] Under the Anglican Amending Agreement, the maximum amount the Anglican Entities are required to contribute towards Indian Residential Schools ["IRS"] Abuse Claims and healing and reconciliation is \$15,687,188. This amount is calculated based on the maximum amount that the Catholic Entities are required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada. As a result, a portion of the amount contributed to ACCRC by the Anglican Entities in prior years was refunded. The amount refunded to General Synod by ACCRC of \$1,179,871 was recorded as revenue in the consolidated statement of operations in 2007.
- [d] Under the Anglican Amending Agreement, a fund called the Anglican Fund for Healing and Reconciliation [the "AFHR"] was established in ACCRC to provide grants for healing and reconciliation. The AFHR is administered by General Synod on behalf of ACCRC and costs incurred and grants made are reimbursed by ACCRC [note 14[c]].
- [e] General Synod is co-defendant with the Government of Canada and certain dioceses in a number of legal cases involving substantial claims arising from the operation of 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.

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Revenue recognition

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

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

Grants

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

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.

Investments and investment income (loss)

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

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

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Inventory

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

Property and equipment

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

Building	40 years
Furniture and equipment	3 to 10 years

Annuities

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

Allocation of expenses

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

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

Contributed materials and services

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

Pension plan

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

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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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates.

Financial instruments

General Synod has chosen to apply the Canadian Institute of Chartered Accountants ["CICA"] 3861: *Financial Instruments - Disclosure and Presentation* in place of CICA 3862, *Financial Instruments - Disclosures* and CICA 3863, *Financial Instruments - Presentation*.

Future changes in accounting policies

The Accounting Standards Board of the CICA has issued Part III of the CICA Handbook that sets out the accounting standards for not-for-profit organizations that are effective for fiscal years beginning on or after January 1, 2012. General Synod will adopt the new standards in its December 31, 2012 consolidated financial statements. General Synod is currently evaluating the impact of these standards.

4. INVESTMENTS

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

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

	2011		2010	
	\$	%	\$	%
Cash and cash equivalents	119,687	1	55,335	1
Fixed income				
Pooled fund	6,026,124	52	5,158,369	49
Total fixed income	6,026,124	52	5,158,369	49
Equities				
Canadian equities	4,088,400	35	3,883,832	37
U.S. equities	722,432	6	681,423	6
Global pooled equity funds	650,730	6	728,753	7
Total equities	5,461,562	47	5,294,008	50
	11,607,373	100	10,507,712	100

5. CAR AND STAFF HOUSING LOANS

Car and staff housing loans consist of the following:

	2011	2010
	\$	\$
Car loans, non-interest bearing, due within 40 months of date of issue, guaranteed by dioceses	164,799	181,938
Staff housing loans, with interest payable at 5%, due 2037	344,796	351,216
	509,595	533,154

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

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

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

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6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2011		2010	
	Cost	Accumulated amortization	Cost	Accumulated amortization
	\$	\$	\$	\$
Building	3,387,229	451,801	3,378,035	366,359
Furniture and equipment	2,479,897	2,309,605	2,431,358	2,181,773
	5,867,126	2,761,406	5,809,393	2,548,132
Less accumulated amortization	2,761,406		2,548,132	
Net book value	3,105,720		3,261,261	

7. DEFERRED CONTRIBUTIONS

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

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

	2011	2010
	\$	\$
Increases		
Donations, grants and bequests	470,354	532,980
Investment income [note 11]	68,089	50,894
	538,443	583,874
Decreases		
Income recognized related to expenses for restricted purposes	510,630	341,699
Net increase in deferred contributions	27,813	242,175
Balance, beginning of year	1,385,584	1,143,409
Balance, end of year	1,413,397	1,385,584

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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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. As at December 31, the amounts internally designated are for the following purposes:

	2011 \$	2010 \$
Amounts invested in property and equipment	3,105,720	3,261,261
Provision for Sacred Circle - 2012 meeting	425,000	200,000
Provision for Nationwide Fundraising Initiative	232,630	217,914
Provision for contingencies	240,341	79,528
Provision for General Synod - 2013 meeting	419,343	182,509
Ministry Investment Fund	3,929,939	2,463,306
Other	1,512,230	1,512,230
	9,865,203	7,916,748

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 distribution from pooled funds, and realized and unrealized gains and losses. The amount of investment income recognized as revenue is as follows:

	2011 \$	2010 \$
Total investment income (loss)	(326,736)	779,260
Allocated to		
Externally restricted endowments	(182,690)	211,162
Deferred contributions related to [note 7[b]]		
Endowments	75,038	41,771
Other	(6,949)	9,123
Annuities	(47,293)	154,224
	(161,894)	416,280
Investment income (loss) recognized in consolidated statement of operations	(164,842)	362,980

12. ALLOCATION OF EXPENSES

Diocesan support expenses include \$102,490 [2010 - \$125,580] of expenses allocated from Resources for Mission expenses related to support provided by General Synod employees to the dioceses.

ABC Publishing expenses include \$24,177 [2010 - \$101,773] related to information resources and \$26,000 [2010 - \$26,000] of administration expenses allocated to ABC Publishing related to the support provided to this program.

13. PENSION PLAN

General Synod and its employees make contributions to the General Synod Pension Plan [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. General Synod contributed \$417,025 in 2011 [2010 - \$386,469] to the Plan.

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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 2011, administration costs incurred by General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$137,757 [2010 - \$147,273]. The expense is included in relationships 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 \$253,369 [2010 - \$202,866].
- [c] As at December 31, 2011, an amount of \$214,995 [2010 - \$236,300] 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[c].
- [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 subject to credit risk with respect to its accounts receivable and its car and staff housing loans to the extent debtors do not meet their obligations; market, interest rate price and foreign exchange risks with respect to its investments; and interest rate price risk with respect to its annuities, and car and staff housing loans.

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

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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, 2011 and 2010, no amount was outstanding.

18. CAPITAL MANAGEMENT

In managing capital, General Synod focuses on liquid resources available for operations. General Synod's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2011, General Synod has met its objective of having sufficient liquid resources to meet its current obligations.

19. COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 consolidated financial statements.

