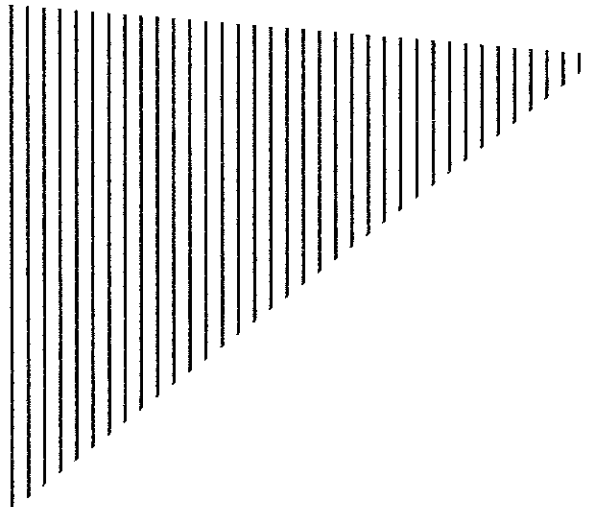


Consolidated Financial Statements

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

December 31, 2012



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 statements of financial position as at December 31, 2012 and 2011, and January 1, 2011 and the consolidated statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 audits 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, 2012 and 2011, and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,
July 5, 2013.

Ernst & Young LLP

Chartered Accountants
Licensed Public Accountants

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2012 \$	December 31, 2011 \$	January 1 2011 \$
ASSETS			
Current			
Cash and cash equivalents	2,544,078	2,526,410	2,571,646
Accounts receivable [note 14[c]]	953,397	1,141,418	1,327,138
Inventory	187,154	170,666	196,573
Prepaid expenses and other assets	197,890	205,044	110,606
Total current assets	3,882,519	4,043,538	4,205,963
Investments [note 4]	13,261,974	11,607,373	10,507,712
Car and staff housing loans [note 5]	512,550	509,595	533,154
Capital assets, net [note 6]	2,974,624	3,105,720	3,261,261
	20,631,667	19,266,226	18,508,090
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	1,342,325	1,278,297	2,000,499
Deferred contributions [note 7]	2,172,305	1,413,397	1,385,584
Total current liabilities	3,514,630	2,691,694	3,386,083
Annuities [note 8]	1,767,410	1,677,271	1,913,235
Total liabilities	5,282,040	4,368,965	5,299,318
Contingencies and commitments [notes 2[e] and 15]			
Net assets			
Unrestricted	1,516,652	1,331,206	1,430,383
Internally designated [note 9]	9,926,289	9,865,203	7,916,748
Endowments [note 10]	3,906,686	3,700,852	3,861,641
Total net assets	15,349,627	14,897,261	13,208,772
	20,631,667	19,266,226	18,508,090

See accompanying notes

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31

	2012	2011
	\$	\$
REVENUE		
Contributions from dioceses	8,382,293	8,310,798
Anglican Journal	1,709,263	2,087,044
Resources for Mission	964,529	879,998
ABC Publishing	267,090	276,440
Other <i>[note 14[b]]</i>	631,721	610,491
	11,954,896	12,164,771
EXPENSES		
Council of the North grants	2,251,776	2,416,740
Anglican Journal	2,211,665	2,671,370
Administration <i>[note 12]</i>	1,465,302	1,479,422
Resources for Mission <i>[note 12]</i>	1,103,735	904,381
Governance <i>[note 14[b]]</i>	968,586	936,562
Relationships	930,787	919,210
Indigenous Ministries	871,319	427,801
Communications and Information Resources <i>[note 12]</i>	856,598	757,615
Primate and House of Bishops	526,740	479,918
Faith, Worship and Ministry	497,057	384,339
Diocesan support <i>[note 12]</i>	396,854	426,613
ABC Publishing <i>[note 12]</i>	172,779	196,417
Miscellaneous	154,887	220,435
	12,408,085	12,220,823
Deficiency of revenue over expenses for the year before the following	(453,189)	(56,052)
Investment income (loss) <i>[note 11]</i>	671,052	(164,842)
Undesignated legacies	28,669	2,070,172
Excess of revenue over expenses for the year	246,532	1,849,278

See accompanying notes

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31

	Unrestricted		Internally designated		Endowments		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
Net assets, beginning 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
Excess of revenue over expenses for the year	246,532	1,849,278	—	—	—	—	246,532	1,849,278
Transfer to internally designated net assets [note 9]	(61,086)	(1,948,455)	61,086	1,948,455	—	—	—	—
Endowment contributions [note 10]	—	—	—	—	—	21,901	—	21,901
Investment income (loss) allocated to externally restricted endowments [note 11]	—	—	—	—	205,834	(182,690)	205,834	(182,690)
Net assets, end of year	1,516,652	1,331,206	9,926,289	9,865,203	3,906,686	3,700,852	15,349,627	14,897,261

[note 9]

[note 10]

See accompanying notes

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2012 \$	2011 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	246,532	1,849,278
Add item not affecting cash		
Amortization	178,512	213,274
Net change in non-cash working capital balances related to operations	1,001,623	(577,200)
Reinvested investment (income) loss	(671,052)	164,842
Cash provided by operating activities	755,615	1,650,194
INVESTING ACTIVITIES		
Purchase of capital assets	(47,416)	(57,733)
Contributions to Consolidated Trust Fund, net	(777,715)	(1,447,193)
(Decrease) increase in car and staff housing loans	(2,955)	23,559
Issuance of annuities	386,320	133,400
Other changes in annuities, net	(296,181)	(369,364)
Cash used in investing activities	(737,947)	(1,717,331)
FINANCING ACTIVITIES		
Endowment contributions	—	21,901
Cash provided by financing activities	—	21,901
Net change in cash and cash equivalents during the year	17,668	(45,236)
Cash and cash equivalents, beginning of year	2,526,410	2,571,646
Cash and cash equivalents, end of year	2,544,078	2,526,410

See accompanying notes

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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"].

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

- [b] As a result of the Government of Canada entering into a more favourable agreement with entities related to the Roman Catholic Church [the "Catholic Entities"], the Government of Canada entered into an agreement with the Anglican Entities and other parties setting out a new process and revised funding arrangements for residential schools related claims [the "2006 Indian Residential Schools Settlement Agreement"]. In addition, the Government of Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 [the "Anglican Amending Agreement"].
- [c] Under the Anglican Amending Agreement, the maximum amount the Anglican Entities are required to contribute towards Indian Residential Schools ["IRS"] Abuse Claims and healing and reconciliation is \$15,687,188. This amount is calculated based on the maximum amount that the Catholic Entities are required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada. As a result, a portion of the amount contributed to ACCRC by the Anglican Entities in prior years was 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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook – Accounting Standards for Not-for-Profit Organizations, 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 recognized 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 statements 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.

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 when approved and the recipient has met all conditions.

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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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 and accounts payable, 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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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 dates of the consolidated statements of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the consolidated statements 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.

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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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

	December 31, 2012		December 31, 2011		January 1, 2011	
	\$	%	\$	%	\$	%
Cash and cash equivalents	227,457	2	119,687	1	55,335	1
Fixed income						
Pooled fund	7,048,882	53	6,026,124	52	5,158,369	49
Total fixed income	7,048,882	53	6,026,124	52	5,158,369	49
Equities						
Canadian equities	3,957,598	30	4,088,400	35	3,883,832	37
U.S. equities	1,116,972	8	722,432	6	681,423	6
Global pooled equity funds	911,065	7	650,730	6	728,753	7
Total equities	5,985,635	45	5,461,562	47	5,294,008	50
	13,261,974	100	11,607,373	100	10,507,712	100

5. CAR AND STAFF HOUSING LOANS

Car and staff housing loans consist of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Car loans, non-interest bearing, due within 40 months of date of issue, guaranteed by dioceses	182,788	164,799	181,938
Staff housing loans, with interest payable at 5%, due 2037	329,762	344,796	351,216
	512,550	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 General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

6. CAPITAL ASSETS

Capital assets consist of the following:

	<u>December 31, 2012</u>	
	Cost \$	Accumulated Amortization \$
Building	3,403,568	537,562
Furniture and equipment	2,510,974	2,402,356
	<u>5,914,542</u>	<u>2,939,918</u>
Less accumulated amortization	2,939,918	
Net book value	2,974,624	

	<u>December 31, 2011</u>	
	Cost \$	Accumulated Amortization \$
Building	3,387,229	451,801
Furniture and equipment	2,479,897	2,309,605
	<u>5,867,126</u>	<u>2,761,406</u>
Less accumulated amortization	2,761,406	
Net book value	3,105,720	

	<u>January 1, 2011</u>	
	Cost \$	Accumulated Amortization \$
Building	3,378,035	366,359
Furniture and equipment	2,431,358	2,181,773
	<u>5,809,393</u>	<u>2,548,132</u>
Less accumulated amortization	2,548,132	
Net book value	3,261,261	

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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 statements 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:

	2012	2011
	\$	\$
Increases		
Donations, grants and bequests	1,472,995	470,354
Investment income <i>[note 11]</i>	128,692	68,089
	<u>1,601,687</u>	<u>538,443</u>
Decreases		
Income recognized related to expenses for restricted purposes	842,779	510,630
Net increase in deferred contributions	758,908	27,813
Balance, beginning of year	1,413,397	1,385,584
Balance, end of year	<u>2,172,305</u>	<u>1,413,397</u>

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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
Amounts invested in capital assets	2,974,624	3,105,720	3,261,261
Provision for Sacred Circle - 2015 meeting	292,247	425,000	200,000
Provision for Nationwide Fundraising Initiative	114,200	232,630	217,914
Provision for contingencies	540,341	240,341	79,528
Provision for General Synod			
2013 meeting	647,484	419,343	182,509
2016 meeting	100,000	—	—
Ministry Investment Fund	3,743,163	3,929,939	2,463,306
Other	1,514,230	1,512,230	1,512,230
	9,926,289	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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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:

	2012 \$	2011 \$
Total investment income (loss)	1,189,798	(326,736)
Allocated to		
Externally restricted endowments	205,834	(182,690)
Deferred contributions related to <i>[note 7[b]]</i>		
Endowments	123,178	75,038
Other	5,514	(6,949)
Annuities	184,220	(47,293)
	518,746	(161,894)
Investment income (loss) recognized in consolidated statements of operations	671,052	(164,842)

12. ALLOCATION OF EXPENSES

Diocesan support expenses include \$148,289 [2011 - \$102,490] of expenses allocated from Resources for Mission expenses related to support provided by General Synod employees to the dioceses.

ABC Publishing expenses include \$14,128 [2011 - \$24,177] related to information resources and \$26,000 [2011 - \$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. The most recent valuation for financial reporting purposes completed by the General Synod as of August 31, 2012 disclosed net assets available for benefits of \$578,797,000 with pension obligations of \$607,526,000, resulting in a deficit of \$28,729,000.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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 2012, administration costs incurred by General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$155,072 [2011 - \$137,757]. The expense is included in governance expenses in the consolidated statements of operations and the reimbursement in other revenue. Grants paid by General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$263,054 [2011 - \$253,369].
- [c] As at December 31, 2012, an amount of \$265,797 [December 31, 2011 - \$214,996; January 1, 2011 - \$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[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.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

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.

Credit risk

General Synod is exposed to credit risk in connection with its accounts receivable 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 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, 2012 and 2011, no amount was outstanding.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

**18. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR
NOT-FOR-PROFIT ORGANIZATIONS**

These financial statements are the first financial statements which General Synod has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the year ended December 31, 2011, or net assets as at January 1, 2011, the date of transition.

