



Consolidated Financial Statements

The General Synod of the
Anglican Church of Canada

December 31, 2018

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Independent auditor's report

Grant Thornton LLP
11th Floor
200 King Street West, Box 11
Toronto, ON
M5H 3T4
T +1 416 366 0100
F +1 416 360 4949

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

Opinion

We have audited the accompanying consolidated financial statements of The General Synod of the Anglican Church of Canada ("The General Synod"), which comprise the statement of financial position as at December 31, 2018 and the 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The General Synod as at December 31, 2018 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The General Synod in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing The General Synod's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate The General Synod or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The General Synod's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 General Synod's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The General Synod's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The General Synod to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Toronto, Canada
July 12, 2019

Chartered Professional Accountants
Licensed Public Accountants

The General Synod of the Anglican Church of Canada

Consolidated Statement of Operations

Year ended December 31

2018

2017

Revenue

Contributions from Dioceses	\$ 7,898,264	\$ 8,416,738
Other (Note 4)	1,528,777	1,556,498
Anglican Journal	1,260,387	1,357,383
Resources for Mission	432,142	611,846
	<u>11,119,570</u>	<u>11,942,465</u>

Expenses

Council of the North Grants	2,150,000	2,150,000
Anglican Journal	1,924,824	2,066,107
Administration (Note 6)	1,467,270	1,431,582
Other Program Initiatives	1,134,690	1,057,560
Indigenous Ministries	1,073,741	691,251
Primate and House of Bishops	841,206	795,984
Communications	766,071	678,107
Governance (Note 6)	680,899	585,731
Global Relations	577,631	633,100
Faith, Worship and Ministry	400,841	437,033
Resources for Mission	337,445	367,589
Affiliations	275,112	274,544
Public Witness for Social and Ecological Justice	182,791	129,660
Diocesan Support	32,172	123,003
	<u>11,844,693</u>	<u>11,421,251</u>

(Deficiency) excess of revenue over expenses before the following	(725,123)	521,214
Investment (loss) income (Note 7)	(296,603)	998,523
Undesignated legacies	286,404	211,686
(Deficiency) excess of revenue over expenses	<u>\$ (735,322)</u>	<u>\$ 1,731,423</u>

The General Synod of the Anglican Church of Canada Consolidated Statement of Changes in Net Assets

Year ended December 31

	Unrestricted	Internally designated	Endowments	Total 2018	Total 2017
Net assets, beginning of year	\$ 4,655,706	\$ 11,734,930	\$ 4,899,089	\$ 21,289,725	\$ 19,313,109
(Deficiency) excess of revenue over expenses	(735,322)	-	-	(735,322)	1,731,423
Transfer to (from) internally designated net assets, net (Note 11)	160,118	(160,118)	-	-	-
Investment (loss) income allocated to externally restricted endowments (Note 7)	-	-	(185,625)	(185,625)	245,193
Net assets, end of year	\$ 4,080,502	\$ 11,574,812	\$ 4,713,464	\$ 20,368,778	\$ 21,289,725

See accompanying notes to the consolidated financial statements.

The General Synod of the Anglican Church of Canada

Consolidated Statement of Financial Position

December 31 2018 2017

Assets

Current

Cash and cash equivalents	\$ 865,041	\$ 1,363,150
Cash held in trust	757,201	-
Accounts receivable (Note 6)	1,985,909	1,960,570
Inventory	108,464	137,463
Prepaid expenses and other assets	<u>120,026</u>	<u>125,592</u>
	3,836,641	3,586,775
Investments (Note 7)	19,527,738	20,468,368
Car and staff housing loans (Note 8)	368,792	411,272
Capital assets (Note 9)	<u>2,454,785</u>	<u>2,529,952</u>
	\$ 26,187,956	\$ 26,996,367

Liabilities

Current

Accounts payable and accrued liabilities (Note 6)	\$ 937,716	\$ 934,428
Other accounts payable	757,201	-
Deferred contributions (Note 5)	<u>2,585,582</u>	<u>2,955,610</u>
	4,280,499	3,890,038
Annuities (Note 10)	<u>1,538,679</u>	<u>1,816,604</u>
	5,819,178	5,706,642

Net assets

Unrestricted	4,080,502	4,655,706
Internally designated (Note 11)	11,574,812	11,734,930
Endowments (Note 3)	<u>4,713,464</u>	<u>4,899,089</u>
	20,368,778	21,289,725
	\$ 26,187,956	\$ 26,996,367

Contingencies (Notes 2(e) and 12)

The General Synod of the Anglican Church of Canada

Consolidated Statement of Cash Flows

Year ended December 31

2018

2017

Increase (decrease) in cash and cash equivalents

Operating

(Deficiency) excess of revenue over expenses	\$ (735,322)	\$ 1,731,423
Items not affecting cash		
Amortization	110,633	116,419
Non cash investment transactions	296,603	(998,523)
	(328,086)	849,319

Change in non-cash working capital items

Accounts receivable	(25,339)	(648,128)
Inventory	28,999	49,656
Prepaid expense and other assets	5,566	(17,394)
Accounts payable and accrued liabilities	3,288	(457,901)
Other accounts payable	757,201	-
Deferred contributions	(370,028)	(106,946)
	71,601	(331,394)

Investing

Purchase of capital assets	(35,466)	(37,564)
Withdrawals (contributions) to		
The Consolidated Trust Fund, net	458,402	(57,919)
Repayment of car and staff housing loans	42,480	103,325
Annuities, net	(277,925)	(53,140)
	187,491	(45,298)

Increase (decrease) in cash and cash equivalents

259,092 (376,692)

Cash and cash equivalents, beginning of year

1,363,150 1,739,842

Cash and cash equivalents, end of year

\$ 1,622,242 **\$ 1,363,150**

Cash and cash equivalents	\$ 865,041	\$ 1,363,150
Cash held in trust	757,201	-
Total	\$ 1,622,242	\$ 1,363,150

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

1. Purpose of the organization and basis of presentation

The General Synod of the Anglican Church of Canada (“The 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.

The General Synod is established as a non-profit corporation under the Canada Not-for-profit Corporations Act and is a registered charity with Canada Revenue Agency, and thus, is not subject to income taxes.

The Missionary Society of the Anglican Church of England in Canada (“The Missionary Society”) was incorporated by Act of Parliament in 1903 to carry out the general missionary work of the Church and consisted of all members of The Church of England in Canada, known as the Anglican Church of Canada after 1955. Subject to the authority of The General Synod, the work of the society was administered by a Board of Management. Originally a very active body, the work and structure of The Missionary Society changed over several decades, and currently only provides car loans to the missionary dioceses and holds a small number of externally restricted endowments. While the Board of Management has not had administrative or operational duties since 1970, it still meets once a year to approve the financial statements and to deal with any business related to remaining funds.

The Missionary Society is established a non-profit corporation under the Canada Not-for-profit Corporations Act and is a registered charity with Canada Revenue Agency, and thus, is not subject to income taxes.

The consolidated financial statements include the assets, liabilities, net assets, revenue and expenses of The General Synod and The Missionary Society.

2. Residential Schools claims

- (a) On March 11, 2003, The 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 Indian Residential Schools (IRS) and to establish a framework to apportion and pay liabilities related to these IRS Abuse Claims. The Settlement Agreement provided that The 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, The 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 6).

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

2. Residential School claims (continued)

- (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 were required to contribute towards IRS Abuse Claims and healing and reconciliation was \$15,687,188. This amount was calculated based on the maximum amount that the Catholic Entities were required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada. The maximum amount of \$2,764,300 was refunded to the Anglican Entities from the Settlement Fund, which is now fully depleted, after the amount contributed by the Catholic Entities towards IRS Abuse Claims was finalized in 2015.
- (d) Under the Anglican Amending Agreement, a fund called the Anglican Fund for Healing and Reconciliation (“AFHR”) was established in ACCRC to provide grants for healing and reconciliation. The AFHR is administered by The General Synod on behalf of ACCRC and costs incurred and grants made are reimbursed by ACCRC (Note 6).
- (e) The 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 Abuse Claims. 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.

3. Summary of significant accounting policies

Basis of accounting

The General Synod has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Revenue recognition

The General Synod follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Unrestricted 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 which are unrestricted are recorded when received, since pledges are not legally enforceable claims.

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

3. Summary of significant accounting policies (continued)

Revenue recognition (continued)

Externally restricted contributions, excluding 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.

Anglican journal revenue includes contributions, advertising and subscription revenue. Contributions are recognized as noted above. Advertising and subscription revenues are recognized when the publication is distributed.

Resources for Mission revenue represents contributions received and are recognized as noted above.

Endowments

Endowments represent contributions where the donor has required that the capital be maintained permanently with the income available for various purposes.

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.

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 cash and cash equivalents, cash held in trust, accounts receivable, car and staff housing loans, accounts payable, and annuities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment in the case of financial assets.

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.

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

3. Summary of significant accounting policies (continued)

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.

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).

Contributed materials and services

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

Pension plan

The General Synod participates in a multi-employer defined benefit plan. As required under ASNPO, defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the participating employers do not individually have sufficient information to apply defined benefit plan accounting.

Use of estimates

The presentation of The General Synod's financial statements, in conformity with ASNPO, requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the notes thereto. Actual results could differ from those estimates used in preparing the financial statements. Balances which require some degree of estimation are accounts receivable (allowance for doubtful accounts), inventory (obsolescence), capital assets (amortization), accrued liabilities (estimation), annuities (valuation), and allocated expenses (estimation).

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

4. Other revenue

Other revenue includes the following:

	<u>2018</u>	<u>2017</u>
Grants and other contributions	\$ 984,442	\$ 993,948
Cost-sharing	263,464	270,428
ABC Publishing	130,442	147,341
Calendar sales	98,275	70,325
Other	52,154	74,456
	<u>\$ 1,528,777</u>	<u>\$ 1,556,498</u>

5. Deferred contributions

Deferred contributions represent externally restricted funds received by The 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.

The continuity of the deferred contributions balance is as follows:

	<u>2018</u>	<u>2017</u>
Increase		
Donations, grants and bequests	\$ 966,152	\$ 1,201,300
Investment income (Note 7)	66,428	124,237
	<u>1,032,580</u>	<u>1,325,537</u>
Decrease		
Income recognized related to expenses for restricted purposes	<u>1,402,608</u>	<u>1,432,483</u>
Net decrease in deferred contributions	<u>(370,028)</u>	<u>(106,946)</u>
Balance, beginning of year	<u>2,955,610</u>	<u>3,062,556</u>
Balance, end of year	<u>\$ 2,585,582</u>	<u>\$ 2,955,610</u>

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

6. The Anglican Church of Canada Resolution Corporation

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 The General Synod.

The General Synod expenses include the provision of administrative support to ACCRC including the AFHR (Note 2(d)). In 2018, administration costs incurred by The General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$ Nil (2017 - \$1,100). The expense is included in governance expenses in the consolidated statement of operations and the reimbursement in other revenue. Costs incurred relating to the administering of the AFHR were \$182,619 (2017 - \$158,495) of which \$177,318 related to administrative expenses and \$5,301 related to audit fee expense included in administration expenses in the consolidated statement of operations.

The General Synod also makes payments on behalf of ACCRC from time to time. Grants paid by The General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$5,439 (2017 - \$Nil).

Included in accounts receivable as at December 31, 2018 is \$ Nil due from ACCRC (2017 - \$996 due to ACCRC). Amounts due from ACCRC are non-interest bearing and due on demand.

The remaining funds in the ACCRC were depleted in 2018.

7. Investments

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

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

7. Investments (continued)

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

	<u>2018</u>		<u>2017</u>	
Cash and cash equivalents	\$ 131,328	1%	\$ 99,883	0.5%
Fixed income				
Canadian pooled fund	6,770,559	35%	6,897,889	34%
Equities				
Canadian equities	3,695,370	19%	5,736,351	28%
U.S. equities	2,982,133	15%	2,901,141	14%
Global equity pooled funds	2,113,005	11%	2,267,599	11%
	8,790,508	45%	10,905,091	53%
Alternative investments				
Multi-strategy fund	2,568,850	13%	1,648,622	8%
Infrastructure fund	188,091	1%	105,719	0.5%
	2,756,941	14%	1,754,341	8.5%
Real estate				
Canadian real estate pooled fund	1,078,402	5%	811,164	4%
	\$19,527,738	100%	\$20,468,368	100%

Investment income includes the following:

	<u>2018</u>	<u>2017</u>
Net unrealized (losses) gains	\$ (1,138,569)	\$ 340,006
Income distributions	282,737	269,426
Net realized capital gains	559,229	389,091
	\$ (296,603)	\$ 998,523

Investment income was recognized as revenue as follows:

	<u>2018</u>	<u>2017</u>
Total investment income	\$ (451,670)	\$ 1,505,299
Allocated to		
Externally restricted endowments	(185,625)	245,193
Deferred contributions related to (Note 5)		
Endowments	77,126	76,826
Other	(10,698)	47,411
Annuities	(35,870)	137,346
	(155,067)	506,776
Investment income recognized in the consolidated statement of operations	\$ (296,603)	\$ 998,523

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

8. Car and staff housing loans

Car and staff housing loans consist of the following:

	<u>2018</u>	<u>2017</u>
Car loans, non-interest bearing, due within 48 months of date of issue, guaranteed by dioceses	\$ 101,635	\$ 136,028
Staff housing loans, with interest payable at 2.56%, due 2037 (2017 – 2.56%, due 2037)	267,157	275,244
	<u>\$ 368,792</u>	<u>\$ 411,272</u>

Car loans are available to clergy and lay workers in the assisted dioceses, with the maximum individual loan being \$16,000.

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

9. Capital assets

	<u>2018</u>	<u>2017</u>		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Building	\$ 3,415,402	\$ 1,049,302	\$ 2,366,100	\$ 2,453,537
Furniture and equipment	927,860	839,175	88,685	76,415
	<u>\$ 4,343,262</u>	<u>\$ 1,888,477</u>	<u>\$ 2,454,785</u>	<u>\$ 2,529,952</u>

10. Annuities

The General Synod holds charitable gift annuities. 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 The General Synod. The most recent valuation of the annuities liability was completed as of December 31, 2018.

The General Synod of the Anglican Church of Canada

Notes to the Consolidated Financial Statements

December 31, 2018

11. Internally designated net assets

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

	Balances, January 1, 2018	Net transfers	Balances, December 31, 2018
Ministry Investment Fund	\$ 3,698,857	\$ 193,943	\$ 3,892,800
Amounts invested in capital assets	2,529,952	(75,167)	2,454,785
Provision for contingencies	1,706,098	(92,000)	1,614,098
Provision for General Synod – 2019	877,964	88,304	966,268
Healing Fund	500,000	-	500,000
Provision for Sacred Circle – 2018 meeting	443,118	(162,998)	280,120
ACCRC returned funds	324,509	-	324,509
Provision for Nationwide Fundraising Initiative	114,200	(114,200)	-
Other	1,540,232	2,000	1,542,232
	<u>\$ 11,734,930</u>	<u>\$ (160,118)</u>	<u>\$ 11,574,812</u>

All undesignated legacies are transferred to the Ministry Investment Fund. The Ministry Investment Fund provides funding for internal projects that meet certain criteria.

12. Contingencies

The General Synod's contingent liabilities in connection with IRS Abuse Claims are described in Note 2(e).

The 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, The 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 the Consolidated Financial Statements

December 31, 2018

13. Pension plan

The 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, 2017 disclosed net assets available for benefits of \$818,420,000 with pension obligations of \$662,235,000, resulting in a surplus of \$156,185,000. The next valuation as of December 31, 2018 is expected to be completed in the fourth quarter of 2019.

During the year, The General Synod made contributions of \$415,086 (2017 - \$397,152) to the Plan.

14. Line of credit

The 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, 2018 and 2017, no amount was outstanding.

15. Financial instruments

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

Foreign currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The General Synod is exposed to foreign currency risk with respect to the underlying investments held in The General Synod denominated in foreign currencies.

Credit risk

Credit risk arises as a result of the potential non-performance by counterparties of contract obligations which could lead to a financial loss to The General Synod. The 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 General Synod.

Interest rate risk

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of market changes in interest rates. The General Synod is exposed to interest rate risk with respect to the car and staff housing loans, the investments in fixed income investments held in The General Synod, and its annuities payable because the fair value will fluctuate due to changes in market interest rates.

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15. Financial instruments (continued)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The General Synod is exposed to other price risk in connection with the investments in equity securities and pooled funds held in The General Synod.

Liquidity Risk

Liquidity risk is the risk that The General Synod will encounter difficulty in meeting its obligations. The General Synod meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

16. Comparative consolidated financial statements

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 consolidated financial statements.