

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2018**

THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
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AS AT DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Bishop of Ontario and the Members of Synod

Qualified Opinion

We have audited the financial statements of The Incorporated Synod of the Diocese of Ontario (the Organization), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Organization derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether, as at and for the years ended December 31, 2018 and December 31, 2017, any adjustments might be necessary to donations revenue, excess of revenues over expenditures, assets and fund balances.

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 Organization 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 qualified opinion.

Other Matter

The prior year's financial statements were audited by another firm of Chartered Professional Accountants.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 these financial statements, management is responsible for assessing the Organization'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 Organization, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (Cont'd)

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 Organization'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 Organization'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 Organization 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.

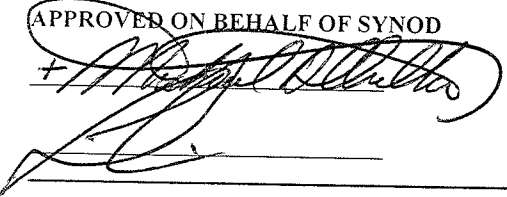
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KINGSTON, Canada
April 23, 2019

Wilkinson Company LLP

Chartered Professional Accountants
Licensed Public Accountants

THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2018

	2018				2017
	General Fund \$	Restricted Fund \$	Endowment Fund \$	Total \$	Restated Note 3 \$
ASSETS					
CURRENT					
Cash	5,812	861,302		867,114	1,343,192
Investments - Note 4		19,927,394	441,735	20,369,129	21,097,660
Accounts receivable - Note 5	387,446	7,036		394,482	449,737
Accrued interest - Note 3 Restated		71,715		71,715	68,081
Prepaid expenses	18,474			18,474	17,344
Capital loans receivable	28,558			28,558	4,662
Inventories	199,508			199,508	244,942
Interfund balance	166,992			166,992	272,566
Capital assets - Note 7	124,311			124,311	153,893
	931,101	20,867,447	441,735	22,240,283	23,652,077
LIABILITIES					
CURRENT					
Bank indebtedness - Note 8	1,150,918			1,150,918	1,092,778
Accounts payable and accrued liabilities - Note 9	177,286	388,480		565,766	517,994
Funds deposited by parishes and cemeteries		15,876,634		15,876,634	15,276,769
Interfund balance		166,992		166,992	272,556
	1,328,204	16,432,106		17,760,310	17,160,097
FUND BALANCES					
RESTRICTED FUND - Note 3 Restated		4,435,341	441,735	4,877,076	6,556,854
UNRESTRICTED - Note 3 Restated	(397,103)			(397,103)	(64,874)
	(397,103)	4,435,341	441,735	4,479,973	6,491,980
CONTINGENT LIABILITIES - Note 10					
APPROVED ON BEHALF OF SYNOD					
					
	931,101	20,867,447	441,735	22,240,283	23,652,077

The accompanying notes form an integral part of these financial statements

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund				Restricted Fund					2018 Total \$	
	Operating Fund \$	Church Bookroom Fund \$	Camp Hyanto Fund \$	Invested in Capital Assets \$	Total General Fund \$	Investment Fund Note 13 \$	Capital Loan Fund \$	New Ministry Fund \$	Total Restricted Fund \$		Endowment Fund \$
FUND BALANCE - BEGINNING OF YEAR - as previously reported	202,125	(160,270)	(242,693)	153,893	(46,945)	5,818,951	412,738	NIL	6,231,689	441,735	6,626,479
PRIOR PERIOD ADJUSTMENT - Note 3	(17,929)	NIL	NIL	NIL	(17,929)	(116,570)	NIL	NIL	(116,570)	NIL	(134,499)
FUND BALANCE - BEGINNING OF YEAR - as restated	184,196	(160,270)	(242,693)	153,893	(64,874)	5,702,381	412,738	NIL	6,115,119	441,735	6,491,980
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	(338,250)	(129,011)	(84,634)	(40,380)	(592,275)	(1,492,993)	824	72,437	(1,419,732)	NIL	(2,012,007)
INTERFUND TRANSFERS - Note 17	211,799	(794)	38,243	10,798	260,046	(259,222)	(824)		(260,046)	NIL	NIL
FUND BALANCE - END OF YEAR	57,745	(290,075)	(289,084)	124,311	(397,103)	3,950,166	412,738	72,437	4,435,341	441,735	4,479,973

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General Fund				Restricted Fund					Restated Note 3 2017 Total \$	
	Operating Fund \$	Bookroom Fund \$	Camp Hyanto Fund \$	Invested in Capital Assets \$	Total General Fund \$	Investment Fund \$	Capital Loan Fund \$	New Ministry Fund \$	Total Restricted Fund \$		Endowment Fund \$
FUND BALANCE - BEGINNING OF YEAR	247,745	(108,835)	(238,518)	57,902	(41,706)	4,306,793	412,738	NIL	4,719,531	441,735	5,119,560
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	(245,821)	(51,086)	(35,847)	(33,149)	(365,903)	1,736,485	1,838	NIL	1,738,323	NIL	1,372,420
INTERFUND TRANSFERS	182,272	(349)	31,672	129,140	342,735	(340,897)	(1,838)		(342,735)	NIL	NIL
FUND BALANCE - END OF YEAR	184,196	(160,270)	(242,693)	153,893	(64,874)	5,702,381	412,738	NIL	6,115,119	441,735	6,491,980

The accompanying notes form an integral part of these financial statements

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General Fund			Restricted Fund					Total	Restated Note 3 2017 Total	
	Operating Fund \$	Church Bookroom Fund \$	Camp Hyanto Fund \$	Total General Fund \$	Investment Fund \$	Capital Loan Fund \$	New Ministry Fund \$	Total Restricted Fund \$			Endowment Fund \$
REVENUE											
Parish common ministry and mission	1,285,860			1,285,860						1,285,860	1,255,306
Investment income	59,972			59,972	965,494	824		966,318		1,026,290	698,526
Unrealized gains (losses) on valuation of investments					(1,599,709)			(1,599,709)		(1,599,709)	668,898
Donations and other	38,041			38,041	95,429			95,429		133,470	90,610
Gain on sale of property							72,437	72,437		72,437	1,208,721
Bookroom sales		301,010		301,010						301,010	294,731
Camp Hyanto			54,650	54,650						54,650	5,980
	1,383,873	301,010	54,650	1,739,533	(538,786)	824	72,437	(465,525)	NIL	1,274,008	4,222,772
EXPENDITURES											
Diocesan core expenses- Note 14	852,915			852,915	77,746			77,746		930,661	753,765
Personnel Related - Note 15	101,127			101,127						101,127	86,094
Programs - Note 16	352,737			352,737						352,737	312,845
Outside Diocese	422,787			422,787						422,787	450,756
Bookroom cost of sales		192,655		192,655						192,655	189,371
Bookroom other		237,058		237,058						237,058	155,771
Camp Hyanto			132,149	132,149						132,149	28,872
Amortization of capital assets	32,937	308	7,135	40,380						40,380	33,149
Distributions of funds deposited					777,357			777,357		777,357	726,938
Payments from investment funds					99,104			99,104		99,104	112,791
	1,762,503	430,021	139,284	2,331,808	954,207	NIL	NIL	954,207	NIL	3,286,015	2,850,352
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	(378,630)	(129,011)	(84,634)	(592,275)	(1,492,993)	824	72,437	(1,419,732)	NIL	(2,012,007)	1,372,420

The accompanying notes form an integral part of these financial statements

THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	2018 \$	Restated Note 3 2017 \$
OPERATING ACTIVITIES		
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE)	(2,012,007)	1,372,420
Adjustment for items which do not affect cash		
Amortization of property plant and equipment	40,380	33,149
Unrealized gains and losses	1,599,709	(668,898)
Loss on disposal of assets		20,354
	(371,918)	757,025
Net change in non-cash working capital balances related to operations - Note 18	143,707	337,221
CASH FLOWS PROVIDED FROM (USED IN) OPERATING ACTIVITIES	(228,211)	1,094,246
INVESTING ACTIVITIES		
Proceeds of capital loan	(30,000)	
Collection of capital loans	6,104	6,678
Purchase of capital assets	(10,798)	(149,584)
Net purchases of investments	(871,178)	(1,611,969)
CASH FLOWS USED IN INVESTING ACTIVITIES	(905,872)	(1,754,875)
FINANCING ACTIVITIES		
Increase (decrease) in bank indebtedness	58,140	(104,406)
Funds deposited by parishes and cemeteries	599,865	1,013,154
CASH FLOWS PROVIDED FROM FINANCING ACTIVITIES	658,005	908,748
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FOR YEAR	(476,078)	248,119
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,343,192	1,095,073
CASH AND CASH EQUIVALENTS - END OF YEAR	867,114	1,343,192
REPRESENTED BY:		
Cash	867,114	1,343,192
	867,114	1,343,192

The accompanying notes form an integral part of these financial statements

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

1. NATURE OF BUSINESS

The Incorporated Synod of the Diocese of Ontario (the "Diocese") is incorporated without share capital under the laws of Canada. Its principal activities include the administration of the Diocese and the holding of investments.

The Organization is a registered charity for Canadian income tax purposes, exempt from income tax under the *Income Tax Act*.

These financial statements include only the operations of the Diocese and do not include other controlled entities.

2. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the Diocese that are considered to be particularly significant:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations.

(b) Fund Accounting

The Diocese follows the restricted fund method of accounting for contributions.

The General Fund reports unrestricted resources. This fund accounts for the activities associated with the Diocese day-to-day activities, the Church Bookroom and Camp Hyanto.

The Restricted Fund reports restricted resources that are to be used for the Investment Fund, Capital Loan Fund and the New Ministry Fund.

The Investment Fund represents the activities associated with the investment of funds for parishes, cemeteries and trusts made available to the Diocese under conditions specified by the donors, plus some investments restricted by the Diocese.

The Capital Loan Fund represents funds made available for development loans to the parishes.

The New Ministry Fund was established by Synod Council in 2018 and represents funds made available from the proceeds on the sale of property to fund future ministry activities.

The Endowment Fund represents resources contributed for endowment. Investment income earned on resources of the Endowment Fund is reported in the General or Restricted Fund depending on the nature of any restrictions imposed by contributors of funds for endowment.

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. ACCOUNTING POLICIES (Cont'd)

(c) Accounting 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivable, inventory and the estimated useful life of capital assets. Actual results could differ from those estimates.

(d) Inventories

Inventories are valued at the lower of cost and net realizable value. When the cost of inventories exceed the net realizable value, the cost of inventories will be written down to net realizable value. Any such write-down will be included in cost of goods sold for the year of write-down. If circumstances or events lead to a subsequent increase in the net realizable value of the inventory that was written down, the amount of the write-down will be reversed and recorded in cost of goods sold in the year of the reversal.

(e) Investments

Investments in bonds and fixed yield income are recorded at amortized cost. Investments in equities are recorded at fair market value.

(f) Tangible Capital Assets

Property, plant and equipment are stated at acquisition cost. Gains or losses on the disposal of individual assets are recognized in earnings in the year of disposal. Amortization of property, plant and equipment, which is based on estimated useful life, is calculated on the following bases and at the rates set out below:

Asset	Basis	Rate
Leasehold improvements	Straight-line	5 years
Buildings improvements	Straight-line	10 years
Equipment	Straight-line	5 - 10 years
Computers and software	Straight-line	5 - 10 years

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. ACCOUNTING POLICIES (Cont'd)

(g) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the General Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment are recognized as revenue of the Endowment Fund.

Camp fees are recognized upon registration. Any discounts, or refunds of camp fees for withdrawal from the camp sessions are recognized when such discounts or refunds are processed.

Book store revenues are recognized at the time of sale.

Investment income earned on the Endowment Fund resources that must be spent on externally restricted activities is recognized as revenue of the Restricted Fund. Unrestricted investment income earned on the Endowment Fund resources is recognized as revenue of the General Fund.

(h) Parish Activities

Parish revenues, expenses, assets and liabilities are accounted for at the parish level and do not form part of these financial statements.

(i) Cash and Equivalents

Cash and cash equivalents consist of deposits at Canadian chartered banks and cash balances in investment portfolio

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2. ACCOUNTING POLICIES (Cont'd)

(j) Financial Instruments

(i) Measurement of Financial Instruments

The Diocese initially measures its financial assets and liabilities at fair value adjusted by, in the case of financial instruments that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Diocese subsequently measures all its financial assets and liabilities at amortized cost except for equities quoted in an active market, which are subsequently measured at fair value. Changes in fair value are recognized as income.

(ii) Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write-down is recorded in net income. When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized in net income up to the impairment amount previously recognized.

(k) Contributed Services

Members of Synod Council and others volunteer their time to assist in the Diocese's activities. While these services benefit the Diocese considerably, a reasonable estimate of the amount and fair value cannot be made, and accordingly, these contributed services are not recognized in the financial statements.

3. RESTATEMENT OF PRIOR YEAR'S FINANCIAL STATEMENTS

The prior period financial information has been restated by \$134,499 to correct accrued interest and accounts receivable for the 2017 fiscal year. The adjustment to 2017 financial statements required a decrease in accrued interest of \$116,570 and a corresponding reduction in interest income of \$116,570. Due to a calculation error, the previous year's calculation for accrued interest was overstated by \$116,570. As a result of an accounting posting error the 2017 financial statements required a reduction in accounts receivable by \$17,928 and a corresponding decrease in Parish common ministry and mission revenue of \$17,928.

THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

4. INVESTMENTS

	2018	2017
	\$	\$
Bonds and short-term investments, measured at amortized cost	12,613,337	13,863,869
Equity securities, measured at fair value	7,755,792	7,233,791
	20,369,129	21,097,660

The bonds and short term investments have an effective interest rate of 2.40% to 8.80% (2017 2.20% to 8.80%) and mature between 2019 and 2031.

The above amounts include \$1,770,703 held in US dollars.

5. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Parish accounts receivables	364,614	553,899
Parish loans receivable	133,124	
Other accounts receivable	46,244	48,327
Allowance for doubtful accounts	(149,500)	(152,489)
	394,482	449,737

Included in the above receivables are Common Mission and Ministry obligations in arrears. All churches, parishes and regions of the Diocese have constitutional, canonical and ministry commitments to support each other, the Diocese and the broader Church. In financial terms, this support is through these Common Mission and Ministry assessments. The Diocese recognizes that from time to time a parish may not be able to meet its obligations to the Diocese. In consideration of this, Synod Council approved a Parish Arrears Policy in 2017 that outlines allowable measures to assist parishes to become current with their arrears balances, as well as to be able to meet their current obligations. Under the new policy, consideration is given to convert common mission and ministry obligations in arrears into a loan with mutually agreed upon terms of repayment. Any forgiveness that may be granted by the Diocese is reflected in the allowance for doubtful accounts.

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

6. RELATED PARTY TRANSACTIONS

Kingston Rectory Committee

The Diocese exercises significant influence over the Kingston Rectory Committee of the Incorporated Synod of the Diocese of Ontario (the "Committee").

The Committee derives its legal status and authority from Canon B18 of The Incorporated Synod of the Diocese of Ontario. The principal activities of the Committee involve the management of the assets of a specific rectory lands fund. The investment assets of the fund result from proceeds of disposition of certain land received by way of Crown grants prior to 1867.

The net assets and results from operations of the Committee are not included in the financial statements of the Diocese.

There have been no related party transactions during the year between the Committee and the Diocese.

<u>Parishes</u>	2018	2017
	\$	\$
Accounts receivable (net of allowance for doubtful accounts)	348,238	401,410
Capital loans receivable	28,558	4,662
Funds deposited by parishes and cemeteries	15,876,634	15,276,769

Parish common ministry and mission of \$1,285,860 (2017 - \$1,255,306) for general Diocesan purposes were received from the parishes. These amounts are determined by allocating the diocesan budget to the parishes on a pro rata basis using certain parish revenues.

The Diocese also receives contributions from parishes for the Primate's World Relief and Development Fund, The amount received and contributed to the National Office for 2018 was \$17,244 (2017 \$29,563).

Related party transactions are recorded at the exchange amount, being the consideration agreed to between the parties.

THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7. PROPERTY, PLANT AND EQUIPMENT

	2018		2017	
	Cost \$	Accumulated amortization \$	Cost \$	Accumulated amortization \$
Diocesan Centre furniture and equipment	36,007	31,191	36,007	30,265
Diocesan Centre computers and software	58,344	30,171	47,546	21,316
Leasehold improvements	116,267	34,880	116,267	11,627
Camp Hyanto building renovations	122,172	117,492	122,172	109,911
Camp Hyanto equipment	11,817	10,881	11,817	11,587
Camp Hyanto computers	4,339	1,738	4,339	1,478
Bookroom equipment	5,406	5,407	5,406	5,313
Bookroom computers and software	2,148	429	2,140	214
	356,500	232,189	345,694	191,711
Cost less accumulated amortization		124,311		153,983

During the year, capital assets were acquired with cash at an aggregate cost of \$10,798 (2017 - \$149,584).

8. BANK INDEBTEDNESS

The bank indebtedness consists of the following:

	2018 \$	2017 \$
Bank of Montreal line of credit - bank prime rate plus 1%, repayable in monthly interest payments	1,150,918	1,092,778
	1,150,918	1,092,778

The Diocese's overdraft has a maximum limit of \$1,550,000. The unused portion of the credit facilities at December 31, 2018 is \$399,082. The Diocese also has a credit card with the Bank of Montreal with a maximum limit of \$50,000.

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2018	2017
	\$	\$
Trade accounts payable	208,502	144,599
Owing to Anglican Diocese of Ontario Foundation	157,133	157,133
Owing to TD Canada Trust for cemetery trust funds	200,141	216,262
	565,776	517,994

10. CONTINGENT LIABILITIES

The Diocese is contingently liable as guarantor of loans from the Anglican Foundation of Canada to local parishes in the amount of \$6,594 (2017 — \$9,994).

The Diocese has been named as a defendant in two outstanding claims for \$5,200,000 in damages. In the opinion of management and legal counsel, the outcome of the lawsuits, now pending, is not determinable and neither is the amount of the insurance coverage. Should any loss result from the resolution of these claims, such loss will be charged to operations in the year of resolution. Accordingly no liability has been recorded in the financial statements.

11. COMMITMENTS

In September of 2016, the Diocese entered into a 10-year contract to lease office space from Landont Limited effective January 1, 2017. Under the terms of the lease, the Diocese agree to pay \$82,505 per year until December 31, 2022, and \$86,125 until the lease expires December 2026. In the lease agreement, there are two renewal options for terms of five years each. Should the lease agreement be renewed, the gross rental amount will be determined between the two parties based upon comparable lease rates at the time of renewal.

The minimum annual lease payments for the next five years are as follows:

	\$
2019	82,505
2020	82,505
2021	82,505
2022	82,505
2023	86,125
Thereafter	258,375
	674,520

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

12. PENSION AGREEMENTS

The Diocese makes contributions to the Anglican Church of Canada — General Synod Pension Plan, which is a multi-employer plan, on behalf of its Clergy and employees. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the clergy and employees based on the length of service and rates of pay.

The amount contributed by the Diocese to the pension plan for Diocesan staff for 2018 was \$83,324 (2017 \$88,674) for current service and is included in expenditures on the statement of operations.

13. INTERNALLY RESTRICTED

The Restricted Fund includes \$2,044,374 that is internally restricted by Synod Council. The amounts have been set aside to fund future expenditures and programs.

THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

14. DIOCESAN CORE EXPENSES

	2018 \$	2017 \$
BISHOP'S OFFICE		
Stipends	69,996	67,560
Housing	29,460	29,460
Secretary wages and benefits	78,449	75,973
Telephone	2,567	2,784
Supplies	2,227	1,656
	182,699	177,433
GENERAL DIOCESAN EXPENSES		
Interest forgiven	144	6,157
Salaries and benefits, including severance and mentoring costs	374,837	293,605
Telephone	3,048	8,649
Office supplies	38,217	20,125
Travel	22,519	22,581
Meetings	35,433	1,986
Professional and other	56,270	22,399
Bad debts (recovery)	(2,989)	
	527,479	375,502
DIOCESAN CENTRE EXPENSES		
Maintenance and repairs	18,890	12,196
Archives	13,933	16,974
Insurance	721	674
Rent	67,756	58,707
	101,300	88,551
Interest	41,437	37,501
Transition and development		64,252
	41,437	101,753
	852,915	743,239

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

15. PERSONNEL RELATED

	2018	2017
	\$	\$
Conferences and meetings	9,441	12,321
Grants	(1,884)	13,925
Curacies	51,753	17,500
Bursaries	3,184	1,579
Clergy assistance	24,247	28,864
Other clergy benefits	14,386	12,105
	101,127	86,294

16. PROGRAMS

	2018	2017
	\$	\$
Conferences	2,239	1,092
Cathedral grant	40,000	40,000
Office	31,643	20,710
Program costs	67,564	66,845
Travel	1,324	1,201
Salaries and wages	209,967	196,799
	352,737	326,647

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

17. INTERFUND TRANSFERS

During the year Synod Council authorized the policies that resulted in the following interfund transfers:

	2018					
	Operating Fund \$	Church Bookroom Fund \$	Camp Hyanto Fund \$	Invested in Capital Assets \$	Investment Fund \$	Capital Loan Fund \$
Administration fees charged to investment fund	228,037				(228,037)	
Administration fees charged to capital loan fund	4,124					(4,124)
Transfers from capital fund to operating fund	15,692					(15,692)
Allocation from investment fund to Camp Hyanto			3,243		(3,243)	
Transfer from investment fund to operating fund	31,030				(31,030)	
Transfer from operating fund to investment fund	(22,080)				22,080	
Allocation from investment fund to capital loan fund					(18,992)	18,992
Grant from operating fund to Camp Hyanto	(35,000)		35,000			
Transfer from Bookroom fund to operating fund	794	(794)				
Transfers to invested in capital assets - capital assets purchased during the year	(10,798)			10,798		
	211,799	(794)	38,243	10,798	(259,222)	(824)

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

18. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS

Cash provided from (used in) non-cash working capital is compiled as follows:

	2018	2017
	\$	\$
(INCREASE) DECREASE IN CURRENT ASSETS		
Accounts receivable	55,255	165,174
Prepaid expenses	(1,130)	
Accrued interest	(3,634)	
Inventories	45,434	17,874
	95,925	183,048
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Accounts payable and accrued liabilities	47,782	154,173
	47,782	154,173
NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES RELATED TO OPERATIONS	143,707	337,221

19. CAPITAL DISCLOSURE

The Diocese's objectives with respect to capital management are to maintain a minimum capital base that allows the Diocese to continue with and execute its overall purpose as disclosed in Note 1, "Nature of Business." The Diocese's Synod Council performs periodic reviews of the Diocese's capital needs to ensure they remain consistent with the risk tolerance that is acceptable to the Diocese.

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

20. FINANCIAL RISKS AND CONCENTRATIONS OF RISKS

The Diocese has a comprehensive risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The risks that arise from transacting financial instruments include interest rate risk, liquidity risk, and market (other price) risk. Price risk arises from changes in interest rates, foreign currency exchange rates and market prices.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of market factors. Market factors include three types of risk: currency risk, interest rate risk, and equity risk.

The Diocese's investment in publicly-traded securities exposes the Diocese to price risks as equity investments are subject to price changes in an open market. The Diocese does not use derivative financial instruments to alter the effects of this risk.

(b) Interest Rate Risk

Interest rate risk is the potential for financial loss caused by fluctuations in fair value or future cash flows of financial instruments because of changes in market interest rates.

The bank indebtedness and line of credit have a variable interest rate, as disclosed in Note 8 to these financial statements. Changes in the bank's prime lending rate can cause fluctuations in interest payments and cash flows.

(c) Currency Risk

Currency risk relates to the Diocese operating in different currencies and converting non-Canadian earnings at different points in time at different foreign exchange levels when adverse changes in foreign currency exchange rates occur.

The Diocese enters into foreign currency purchase and sale transactions and has assets and liabilities that are denominated in foreign currencies and thus are exposed to the financial risk of earnings fluctuations arising from changes in foreign exchange rates and the degree of volatility of these rates. These assets and liabilities are of a short-term nature and management does not believe they represent a significant risk to the Diocese.

(d) Equity Risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Diocese is exposed to this risk through its equity holdings within its investment portfolio.

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

19. FINANCIAL RISKS AND CONCENTRATIONS OF RISKS (Cont'd)

(e) Liquidity Risk

Liquidity risk is the risk that the Diocese will not be able to meet all cash outflow obligations as they come due.

The Diocese's exposure to liquidity risk is dependent on the receipt of funds from its operations and other related sources.

(f) Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Diocese is exposed to credit risk with respect to the accounts receivable, capital loans receivable and investments.

The Diocese assesses, on a continuous basis, accounts receivable and capital loans receivable and provides for any amounts that are not collectible in the allowance for doubtful amounts.

The Diocese deals with creditworthy counterparties to mitigate the risk of financial loss from defaults related to the investments.

There have been no significant changes to the credit risk exposure from 2017.

21. COMPARATIVE FIGURES

In addition to the prior period adjustments, in order to conform with the financial statement presentation adopted for the current year, certain of the comparative figures have been regrouped.

22. ECONOMIC DEPENDENCE

The Diocese is dependent on mandated Common Ministry and Mission contributions from member parishes. Common Ministry and Mission contributions represent approximately 77% of the Diocese total operating revenues.

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
SCHEDULE OF OPERATIONS - OPERATING FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
REVENUE		
Parish Common Ministry	1,285,860	1,255,306
Investment fund interest, funds for general purposes	59,972	52,035
Fees, administration and sundry	14,454	14,682
Donations and recoveries	23,587	25,262
	1,383,873	1,347,285
EXPENDITURES		
Bishops office - Note 13	182,699	177,433
General Diocesan Expenses - Note 13	527,479	375,502
Diocesan Centre - Note 13	101,300	88,551
Interest	41,437	37,501
Amortization of capital assets	32,937	19,519
Transition and restructuring		64,252
Confidential personnel matters	10,089	9,841
Training and development	64,069	47,589
Other	26,969	28,664
Programs- Note 16	352,737	326,647
General and Provincial Synods and Lambeth	422,787	450,756
	1,762,503	1,626,255
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	(378,630)	(278,970)

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
SCHEDULE OF OPERATIONS - CHURCH BOOKROOM
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
REVENUE		
Book Room Sales	301,010	294,731
COST OF SALES		
Opening inventory	244,942	262,816
Purchases	202,217	171,497
	447,159	434,313
Ending inventory	(254,504)	(244,942)
	192,655	189,371
GROSS PROFIT	108,355	105,360
EXPENDITURES		
Writedown of old inventory	54,996	
Amortization of capital assets	308	675
Advertising	10,627	8,643
Bank charges and interest	3,438	3,976
Repairs and maintenance	1,909	2,681
Insurance	716	677
Office and floor space allocation	24,553	1,173
Postage	1,794	1,335
Telephone	377	636
Travel	3,748	2,134
Wages and benefits	134,900	134,516
	237,366	156,446
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	(129,011)	(51,086)

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
SCHEDULE OF OPERATIONS - CAMP HYANTO
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
REVENUE		
Camp fees	24,888	
Donations and donated fees	25,445	5,361
Rentals	110	619
Interest - bequests	4,207	
	54,650	5,980
EXPENDITURES		
Advertising	2,720	488
Amortization of tangible capital assets	7,135	12,955
Food	8,344	
Park deposit	185	
Printing, stationary and postage	4,009	
Programs	1,850	
Repairs and maintenance	49,843	6,059
Salaries and wages	44,889	10,095
Supplies	1,081	3,335
Taxes and insurance	9,067	2,615
Telephone	901	931
Travel	2,203	916
Utilities	7,057	4,433
	139,284	41,827
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR	(84,634)	(35,847)

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
SCHEDULE OF INVESTMENT FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 Restated (Note 3) \$
REVENUE		
Income on investments and bank deposits	966,318	709,937
Unrealized gains (losses)	(1,599,709)	668,898
Bequest, donations and other	87,569	55,179
Gain on sale of property		1,208,721
Received from parishes		2,255
Received from National Church	7,036	7,036
	(538,786)	2,652,026
EXPENDITURES		
Management investment fees	77,746	75,811
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) BEFORE UNDERNOTED ITEMS		
	(616,532)	2,576,215
OTHER PAYMENTS AND TRANSFERS		
Allocation of income from consolidated investments		
Cemeteries	85,289	69,504
Parishes	692,068	657,434
	777,357	726,938
OTHER		
Bishop's discretionary fund	5,561	26,723
Sabbatical costs	6,682	2,307
Insurance claims	8,000	13,255
Short-term clergy illness relief		8,986
Non-diocesan funds held in trust	15,065	6,477
Diocesan sponsored conferences	4,576	(2,281)
Refugee program	11,261	22,170
Miscellaneous program costs	34,167	18,258
Payments to retirees and widows	13,792	16,896
	99,104	112,791
EXCESS OF REVENUE OVER EXPENDITURES (EXPENDITURES OVER REVENUE) FOR YEAR		
	(1,492,993)	1,736,486

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
SCHEDULE OF CAPITAL LOAN FUND OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018 \$	2017 \$
REVENUE		
Income on investments and bank deposits	824	1,838
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	824	1,838

**THE INCORPORATED SYNOD OF THE DIOCESE OF ONTARIO
SCHEDULE OF NEW MINISTRY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
	\$	\$
REVENUE		
Proceeds on sale of properties	72,437	
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EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	72,437	NIL
<hr/>		