

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016**

## **MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS**

The accompanying non-consolidated financial statements of The Synod of the Diocese of Qu'Appelle (the "Diocese") have been prepared by the Diocese's management in accordance with Canadian accounting standards for not-for-profit organizations and necessarily include some amounts based on informed judgement and management estimates.

To assist management in fulfilling its responsibilities, a system of internal controls has been established to provide reasonable assurance that the financial statements are accurate and reliable and that assets are safeguarded.

Diocesan Council has reviewed and approved these financial statements.

These financial statements have been examined by the independent auditors, Virtus Group LLP, and their report is presented separately.

\_\_\_\_\_  
Chair of the Finance Committee

\_\_\_\_\_  
Executive Officer



## INDEPENDENT AUDITORS' REPORT

### To the Bishop and Members of The Synod of the Diocese of Qu'Appelle

We have audited the accompanying non-consolidated financial statements of The Synod of the Diocese of Qu'Appelle (the "Diocese") which comprise the statement of financial position as at December 31, 2016, 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.

#### *Management's Responsibility for the Non-Consolidated Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Diocese as at December 31, 2016 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.

#### *Other Matter*

The prior year financial statements were audited by another accountant who issued an unmodified opinion on May 28, 2016.

**June 25, 2017**  
**Regina, Saskatchewan**

**VIRTUS GROUP LLP**  
**Chartered Professional Accountants**

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT DECEMBER 31, 2016**  
(with comparative figures at December 31, 2015)

	<b>2016</b>	<b>2015</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 507,205	\$ 502,977
Accounts receivable	88,957	82,312
Prepaid expenses	489	10,609
	596,651	595,898
<b>Investment in subsidiary</b> (Note 3)	1	1
<b>Tangible Capital Assets</b> (Note 4)	235,853	250,750
	235,854	250,751
<b>Trusts and Special Funds</b>		
Cash	5,369	2,443
Accrued interest	13,202	16,416
Investments (Note 5)	2,907,727	2,901,572
	2,926,298	2,920,431
	\$ 3,758,803	\$ 3,767,080

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	\$ 63,151	\$ 135,293
Deferred revenue and funds under administration (Note 6)	369,127	310,675
	432,278	445,968
<b>Net Assets</b>		
Unrestricted	110,002	95,058
Internally restricted (Note 7)	54,372	54,873
Permanent and temporary trusts (Note 8)	2,926,298	2,920,431
Invested in tangible capital assets	235,853	250,750
	3,326,525	3,321,112
	\$ 3,758,803	\$ 3,767,080
Commitments (Note 9)		
Contingencies (Note 10)		

See accompanying notes to the financial statements.

**Approved on behalf of Diocesan Council:**

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\_\_\_\_\_  
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**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NON-CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

	<b>2016</b>	<b>2015</b>
<b>Revenue</b>		
Parish commitments	\$ 532,218	\$ 526,558
Trusts, endowments and bequests	23,293	20,746
Trusts - bursaries	500	2,000
Trust fund income assessment	21,104	17,622
Harding - Jackson Fund	22,810	23,531
Living the Mission (Note 6)	41,306	-
Other		
Donations	8,295	8,488
Miscellaneous	4,746	14,694
	<u>654,272</u>	<u>613,639</u>
<b>Expenses</b>		
Diocesan administration (Schedule 1)	191,537	211,248
Mission action plan	56,451	52,727
Our mission beyond our diocese (Schedule 2)	151,902	151,802
Our mission in our diocese (Schedule 3)	313,104	282,870
Unrealized loss on investments	25,567	25,463
	<u>738,561</u>	<u>724,110</u>
<b>(Deficiency) of revenue over expenses</b>	<u>\$ (84,289)</u>	<u>\$ (110,471)</u>

See accompanying notes to the financial statements.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NON-CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

	2016				2016 Total
	Unrestricted net assets	Internally restricted net assets	Permanent & temporary trusts	Invested in tangible capital assets	
Balance, beginning of year	\$ 95,058	\$ 54,873	\$ 2,920,431	\$ 250,750	\$ 3,321,112
(Deficiency) of revenues over expenses	(69,000)	-	-	(15,289)	(84,289)
Transfer - purchase of capital assets	(392)	-	-	392	-
Transfer - from Harding Jackson Fund for Mission Action Plan	83,835	-	(83,835)	-	-
Trust receipts	-	-	302,630	-	302,630
Trust disbursements	-	-	(212,928)	-	(212,928)
Transfers	501	(501)	-	-	-
<b>Balance, end of year</b>	<b>\$ 110,002</b>	<b>\$ 54,372</b>	<b>\$ 2,926,298</b>	<b>\$ 235,853</b>	<b>\$ 3,326,525</b>

	2015				2015 Total
	Unrestricted net assets	Internally restricted net assets	Permanent & temporary trusts	Invested in tangible capital assets	
Balance, beginning of year	\$ 148,699	\$ 47,023	\$ 3,008,826	\$ 262,703	\$ 3,467,251
(Deficiency) of revenues over expenses	(94,370)	-	-	(16,101)	(110,471)
Capital contributions to permanent trusts	-	-	1,684	-	1,684
Transfer - purchase of capital assets	(4,148)	-	-	4,148	-
Transfer - from Harding Jackson Fund for Mission Action Plan	52,727	-	(52,727)	-	-
Trust receipts	-	-	93,938	-	93,938
Trust disbursements	-	-	(131,290)	-	(131,290)
Transfers	(7,850)	7,850	-	-	-
<b>Balance, end of year</b>	<b>\$ 95,058</b>	<b>\$ 54,873</b>	<b>\$ 2,920,431</b>	<b>\$ 250,750</b>	<b>\$ 3,321,112</b>

See accompanying notes to the financial statements.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NON-CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>Cash provided by (used in) operating activities:</b>		
(Deficiency) of revenue over expenses	\$ (84,289)	\$ (110,471)
Trust transactions affecting cash		
Capital contributions to permanent trusts	38,568	(35,668)
Items not affecting cash		
Amortization of tangible capital assets	15,289	16,101
Unrealized loss on investments	25,567	25,463
	<u>(4,865)</u>	<u>(104,575)</u>
Change in non-cash operating working capital:		
Accounts receivable	(6,645)	2,309
Prepaid expenses	10,120	34,303
Accrued interest	3,214	(534)
Accounts payable	(72,142)	(69,379)
Deferred revenue and funds under administration	58,452	238,870
	<u>(11,866)</u>	<u>100,994</u>
<b>Cash provided by (used in) investing activities:</b>		
Purchase of tangible capital assets	(392)	(4,148)
Net change in investments	19,412	64,614
	<u>19,020</u>	<u>60,466</u>
<b>Increase in cash</b>	7,154	161,460
<b>Cash position - beginning of year</b>	505,420	343,960
<b>Cash position - end of year</b>	<u>\$ 512,574</u>	<u>\$ 505,420</u>
<b>Cash and cash equivalents is comprised of</b>		
Cash and cash equivalents	\$ 507,205	\$ 502,977
Cash - trusts and special funds	5,369	2,443
	<u>\$ 512,574</u>	<u>\$ 505,420</u>

See accompanying notes to the financial statements.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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1. **General**

The Synod of the Diocese of Qu'Appelle (the "Diocese") is a regional organization which was incorporated under *The Qu'Appelle Synod Act* in 1885. The Diocese administers programs and religious education to the Anglican community in Southern Saskatchewan.

2. **Summary of significant accounting policies**

The non-consolidated financial statements required management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known. The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and reflect the following accounting policies:

**Fund accounting**

The unrestricted net asset fund reports the assets, liabilities, revenues and expenses related to the day to day operations of the Diocese.

The internally restricted net assets fund reports the net assets restricted for specific use as determined by Diocesan Council.

The permanent and temporary trust fund reflects the activities and balances related to donations and bequests that are externally restricted. Donations and bequests requiring, through a trust agreement, the capital to be retained are recognized as direct increases in the permanent trust fund and are not recorded in the statement of operations.

The net assets invested in capital assets fund reports the Diocese's net investment in tangible capital assets.

**Financial instruments - recognition and measurement**

Financial assets and financial liabilities are recorded on the statement of financial position when the Diocese becomes party to the contractual provisions of the financial instrument. All financial instruments are required to be recognized at fair value upon initial recognition, except for certain related party transactions. Measurement in subsequent periods of equity instruments is at fair value. All other financial instruments are subsequently measured at amortized cost adjusted by transaction costs, which are amortized over the expected life of the instrument. Fair value is the amount at which a financial instrument could be exchanged at arm's length between willing, unrelated parties in an open market.



**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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2. **Significant accounting policies** (continued)

Changes in fair value of financial instruments measured at fair value are recognized in excess of revenues over expenses. When impairment has occurred the carrying amount is reduced and such write downs may subsequently be reversed if conditions change.

**Investments**

Investments in guaranteed investment certificates and provincial bonds are recorded at amortized cost. Investments in common shares, preferred shares and mutual funds are recorded at fair market value.

**Tangible capital assets**

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided over the estimated useful life of the assets at the following rates:

Computers	Diminishing balance	30%
Leasehold improvements	Straight line	20 years

In the year of acquisition, amortization is provided at half of the annual rate.

The Diocese is the registered legal owner of all parish properties within the Diocese. These properties are purchased, maintained, financed and used by the individual parishes. As a result, the Diocese has not recognized any assets for parish properties in these financial statements.

**Revenue recognition**

The Diocese follows the deferral method of accounting for contributions. Donations and bequests requiring, through a trust agreement, the capital to be retained are recognized as direct increases in permanent trusts and are not recorded in operating revenues. Donations and bequests restricted for other purposes are recognized as operating revenue in the year the disbursement they relate to are incurred, the amount is determinable and collectability is reasonably assured. Unrestricted donations and bequests are recognized as revenue when received. Investment income is recognized as revenue as it is earned. Unrealized gains and losses on investments recorded at fair market value are recognized in the period they occur.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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2. **Significant accounting policies** (continued)

**Contributed services**

Volunteers contribute their time each year to assist the Diocese in carrying out its mission. Because of the difficulty in determining the fair value of contributed services, they are not recognized in the financial statements.

**Income taxes**

The Synod of the Diocese of Qu'Appelle is a registered charity, and as such, no income taxes are payable pursuant to Paragraph 149(1)(f) of the *Income Tax Act*.

3. **Investment in subsidiary**

The Diocese has a wholly owned subsidiary, Qu'Appelle Diocesan Housing Company, which is a not-for-profit organization. The investment in The Qu'Appelle Diocesan Housing Company has an original cost of \$129,220, however, the Diocese has determined that this amount is not recoverable and has written down the investment to \$1. Qu'Appelle Diocesan Housing Company is not consolidated in these financial statements.

4. **Tangible capital assets**

	Cost	2016 Accumulated amortization	Net book value	2015 Net book value
Land	\$ 9,163	\$ -	9,163	\$ 9,163
Land - Camp Harding	19,750	-	19,750	20,250
Computers	46,719	42,324	4,395	5,260
Leasehold Improvements	280,554	78,009	202,545	216,077
	<u>\$ 356,186</u>	<u>\$ 120,333</u>	<u>\$ 235,853</u>	<u>\$ 250,750</u>

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

**5. Long term investments**

	2016	2015
Guaranteed investment certificates	\$ 2,673,338	\$ 2,693,215
Provincial bonds	48,830	49,996
Equity investments	185,559	158,361
	\$ 2,907,727	\$ 2,901,572

The guaranteed investment certificates have maturity dates between May 2017 and April 2019, and earn interest at rates between 1.395% and 2.2%. The provincial bond bears interest at 3.7% and matures September 2020. Equity investments consist of common shares, preferred shares and mutual funds.

The Diocese holds investments of \$22,100 on behalf of a parish. As this amount does not belong to the Diocese, it is not recognized in the financial statements.

**6. Deferred revenue and funds under administration**

	2016	2015
Anglican Church Women	\$4,634	\$6,006
Burundi	7,756	8,560
Living the Mission	191,247	158,548
Other	145,771	96,903
Refugee	19,719	40,658
	\$ 369,127	\$ 310,675

During the year, the Diocese recognized \$41,306 (2015 - \$0) in revenue from the Living the Mission to pay for mission action plan expenses.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

**7. Internally restricted net assets**

	2016	2015
Building maintenance	\$ 21,045	\$ 23,635
Church extension	167	2,078
Diocesan officer conference	3,104	2,304
Diocesan Synod	2,000	-
Equipment	3,906	3,906
General Synod	-	2,800
Lambeth conference	9,750	9,750
Provincial Synod	2,150	150
Retirement grants	7,250	5,250
Youth and children	5,000	5,000
	\$ 54,372	\$ 54,873

**8. Permanent and temporary trusts**

	December 31, 2016		December 31, 2015	
	Income	Capital	Income	Capital
<b>Permanent Trusts</b>				
Diocesan	\$ 28,841	\$ 520,196	\$ 25,592	\$ 521,631
Parochial and other	37,098	208,689	36,677	208,689
Harding – Jackson fund	-	750,000	-	833,835
	65,939	1,478,885	62,269	1,564,155
<b>Temporary Trusts</b>				
Diocesan	-	119,815	-	119,986
Parochial and other	-	1,261,659	-	1,174,007
	-	1,381,474	-	1,294,007
	\$ 65,939	\$ 2,860,359	\$ 62,269	\$ 2,858,162

**9. Commitments**

The Diocese has guaranteed the mortgage of St. Paul's Cathedral Regina to a maximum amount of \$854,000 (2015 - \$1,300,000).

The Diocese has guaranteed the mortgage of St. Giles Anglican Church Estevan to a maximum amount of \$36,300 (2015 - \$71,036).

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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**10. Contingencies**

The Settlement Agreements between the Anglican Church of Canada and the federal government (to establish a Residential School Settlement Fund to pay the Church's share of compensation to abused former students) does not apply to claims of loss of culture alleged in many of the claims submitted to date. In addition, individuals are free to pursue their own claims against the church outside of the settlement process with the federal government. As it is uncertain whether additional claims will be made or whether loss of culture represents a compensable claim, the Diocese is unable to evaluate any potential liability and therefore, no provision therefore has been recorded in these financial statements.

In 2012 the Diocese received a \$10,000 grant for renovations to the Diocese's head office. If the office building is torn down or deemed to be unsafe before November 4, 2020, the grant is required to be repaid. The likelihood of repayment is not determinable.

**11. Pension plan**

The Diocese has a defined contribution pension plan offered to all employees which is administered by the Anglican Church of Canada. Contributions are recognized as an expense when contributions are made to the plan. During the year, the Diocese contributed \$27,605 (2015 - \$26,397).

**12. Financial risk management**

The Diocese has a risk management framework to monitor, evaluate and manage the principal risks assumed with financial instruments. The significant risks to which the Diocese is exposed are:

**Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Diocese is exposed to credit risk on the accounts receivable from its parishes, however, it does not have a significant exposure to any individual or parish. The Diocese incurred insignificant bad debt expense during the past three years and its members are various parishes across the province of Saskatchewan.

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Diocese's exposure to interest rate risk is limited to its investments in guaranteed investment certificates and provincial bonds. The risk is managed through the use of staggered maturity dates, and the Diocese does not use derivatives to mitigate this risk.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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**12. Financial risk management (continued)**

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Diocese's exposure to liquidity risk is dependent on the receipt of funds from its operations and other related sources. Funds from these sources are primarily used to finance working capital and capital expenditure requirements and are considered adequate to meet the Diocese's financial obligations.

**Price risk**

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. The Diocese's investments in shares traded on the open market expose the Diocese to price risk. No derivative instruments are used to mitigate this risk.

**13. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year presentation.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**Schedule of Diocesan Administration Expenses - Schedule 1**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Executive Administrative Assistant		
Salary, pension, benefits	\$ 29,362	\$ 26,806
Diocesan Finance Officer		
Salary, pension, benefits	54,375	63,174
General		
Amortization	15,289	16,101
Audit	17,139	16,449
Equipment maintenance, services contracts	9,424	7,370
General, miscellaneous	4,351	25,831
Group benefits, workers compensation	911	747
Insurance	2,518	2,050
Maintenance, snow removal	11,980	10,145
Postage, printing, office	15,483	13,801
Property taxes	11,112	11,408
Telephone	11,181	7,992
Utilities	8,412	9,374
	<u>107,800</u>	<u>121,268</u>
	<u>\$ 191,537</u>	<u>\$ 211,248</u>

See accompanying notes to the financial statements.

**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**Schedule of Our Mission Beyond Our Diocese Expenses - Schedule 2**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

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	<u>2016</u>	<u>2015</u>
General synod apportionment and assessment	\$ 144,000	\$ 143,000
Lambeth conference	-	900
Provincial synod assessment	<u>7,902</u>	<u>7,902</u>
	<u>\$ 151,902</u>	<u>\$ 151,802</u>

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See accompanying notes to the financial statements.



**THE SYNOD OF THE DIOCESE OF QU'APPELLE**  
**Schedule of Mission in Our Diocese Expenses - Schedule 3**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
(with comparative figures for the year ended December 31, 2015)

	<u>2016</u>	<u>2015</u>
Episcopal (Bishop)		
Stipend, pension, benefits	\$ 100,466	\$ 99,810
Commissary/administrator	-	2,999
Travel, other	19,583	17,992
	<u>120,049</u>	<u>120,801</u>
Executive officer		
Stipend, pension, benefits	57,615	47,547
Travel, other	6,399	4,422
	<u>64,014</u>	<u>51,969</u>
First Nations Ministries		
Travel, other	12,647	13,667
Hospital chaplaincy		
Travel and other	804	995
Director of Mission and Ministry		
Stipend, pension, etc.	54,572	36,491
Travel, other	4,269	3,396
	<u>58,841</u>	<u>39,887</u>
Bursaries	3,088	2,000
Clergy conference and training	12,479	8,225
Diocesan committees	7,475	7,852
Ministry and mission	8,198	12,538
Ministry support training	12,383	13,127
Ordinations	700	1,247
Saskatchewan Anglican	12,426	10,562
	<u>56,749</u>	<u>55,551</u>
	<u>\$ 313,104</u>	<u>\$ 282,870</u>

See accompanying notes to the financial statements.