

**Roman Catholic Episcopal
Corporation for the Diocese of
Toronto, in Canada**


Parish and Diocesan Funds
Financial Statements
December 31, 2018

Roman Catholic Episcopal Corporation
for the Diocese of Toronto, in Canada
BN 10791 0259 RR0001
T3010 for Dec 31, 2018



July 22, 2019

His Eminence Thomas Cardinal Collins
Archbishop of Toronto
Catholic Pastoral Centre



Your Eminence,

We are pleased to submit the following financial report for Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada for the year ended December 31, 2018.

The first section of the report contains the financial statements of the Parish and Diocesan Funds, which present the financial position, results of financial activities and cash flows of these funds. Also included in this section is our auditor's report on the financial statements. The report is consistent with prior years and is qualified with respect to departures from Canadian accounting standards for not-for-profit organizations in the areas of Parish Funds cash basis of accounting, the accounting for capital assets and controlled entities disclosure for non-consolidated entities. In addition, consistent with prior years, the report is also qualified for the completeness of donation revenues.


The second section includes specific financial information with regard to the Diocesan Funds. The third and fourth sections include specific financial information with regard to the Parish Funds. The noted financial information has been subject to audit procedures in our examination of the financial statements to the extent required for us to report on the financial statements.

We will be pleased to discuss this financial report with you at your convenience.



Chartered Professional Accountants, Licensed Public Accountants





Independent auditor's report

To His Eminence Thomas Cardinal Collins of Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Our qualified opinion

In our opinion, except for the effects and possible effects of the matters 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 Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada (the Corporation) 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.

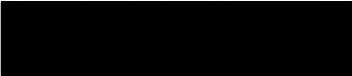
What we have audited


The Corporation's combined financial statements comprise:

- the balance sheet as at December 31, 2018;
- the statement of revenue and expenditures for the year then ended;
- the statement of changes in deficit for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for qualified opinion

During the years ended December 31, 2018 and 2017, the Corporation has followed accounting and disclosure policies that are not in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO):

- the financial statements reflect an annual provision charge to the general reserve equal to the net property additions for the years ended December 31, 2018 and 2017, and exclude deferred capital contributions; refer to note 2 to the financial statements for a summary of the impact of this non-compliance on the financial statements;
 - the financial statements do not include all of the required disclosures related to controlled entities and significantly influenced entities and it is impracticable for us to disclose this information; refer to note 1 for list of entities noted; and
 - the Corporation includes approximately 220 parishes for which the accounting records of each parish are prepared on a cash basis mostly by volunteers, and therefore the impact of accrual accounting has not been reflected in the financial statements. It is not practicable for us to
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determine the impact of this matter on the financial statements due to the number of parishes and there is no integrated system between the diocese and parishes. The accounts impacted include cash, accounts payable, expenses, revenues, and deferred revenues.

In common with many not-for-profit organizations, the Corporation derives revenues from cash donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Corporation. Therefore, we were not able to determine whether any adjustments might be necessary to church receipts, special diocesan collections, donations, Family of Faith revenue and other receipts, excess of revenue over expenditures and cash flows from operating activities for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017 and deficit as at the beginning and the end of the years ended December 31, 2018 and 2017.

Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the effects of the matters referred to above and the possible effects of the limitation in scope referred to above.

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 combined financial statements* section of our report.

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

Independence

We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Responsibilities of management and those charged with governance for the combined financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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




Auditor's responsibilities for the audit of the combined 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 Corporation'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 Corporation'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 Corporation 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.



Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
July 22, 2019

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Balance Sheet

At at December 31, 2018

	2018 \$	2017 \$ (restated – note 12)
Assets		
Current assets		
Cash and cash equivalents (note 3)	24,275,498	26,733,797
Prepaid expenses	434,596	556,902
Accrued income	316,507	287,693
Other loans receivable, amounts receivable and deposits	8,615,443	8,515,458
	<u>31,642,044</u>	<u>33,094,050</u>
Advances to related entities (note 10)	15,415,061	10,974,825
Investments (note 4)	28,003,907	44,746,491
Loan receivable	1,015,560	1,000,000
	<u>76,076,562</u>	<u>89,815,166</u>
Capital assets (note 5)		
Parish properties	831,367,587	787,538,011
Diocesan properties	25,847,589	24,680,320
Land for new parishes	14,194,568	14,077,410
	<u>871,409,744</u>	<u>826,195,741</u>
Less: Amounts transferred from general reserve	<u>(871,409,742)</u>	<u>(826,195,739)</u>
	<u>2</u>	<u>2</u>
Special diocesan collections – cash	1,932,700	3,005,549
	<u>78,909,264</u>	<u>92,820,717</u>
Liabilities		
Current liabilities		
Amounts payable and accrued charges	32,379,132	35,390,262
Bank indebtedness (note 5)	46,000,000	46,000,000
Loan payable to related entity (note 3)	7,000,000	7,000,000
Parish bank loans	36,435,405	34,468,623
Less: Cash collateral for bank loans	<u>(36,435,405)</u>	<u>(34,468,623)</u>
	<u>85,379,132</u>	<u>88,390,262</u>
Deferred contributions		
Family of Faith Capital Campaign Funds (note 7)	25,947,694	20,568,608
Catholic Cemeteries & Funeral Services – Archdiocese of Toronto (note 8)	13,635,396	14,485,396
	<u>39,583,090</u>	<u>35,054,004</u>
Deferred revenue	1,642,695	1,720,032
Special diocesan collections – liabilities	1,932,700	3,005,549
	<u>128,537,617</u>	<u>128,199,847</u>
Deficit	<u>(49,628,353)</u>	<u>(35,379,130)</u>
	<u>78,909,264</u>	<u>92,820,717</u>
Commitments and contingencies (note 5)		
Subsequent event (note 13)		

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Statement of Revenue and Expenditures

For the year ended December 31, 2018

	2018 \$	2017 \$ (restated – note 12)
Revenue		
Parishes		
Church receipts, including special offerings, legacies and hall revenue	81,772,636	81,448,199
Other receipts	48,363,731	45,655,692
Special diocesan collections	15,185,977	15,545,894
Investment and rental income	1,645,669	1,794,895
	<u>146,968,013</u>	<u>144,444,680</u>
Diocesan		
Donations, bequests and other income (note 8)	16,132,846	7,009,445
Gain on sale of properties	414,353	596,730
Family of Faith Capital Campaign (note 7)	6,886,078	12,421,166
Income from investments, loans and bank deposits	3,355,033	1,927,000
	<u>26,788,310</u>	<u>21,954,341</u>
	<u>173,756,323</u>	<u>166,399,021</u>
Expenditures		
Parishes		
Ordinary parish expenses	91,357,890	90,453,551
Special diocesan collections disbursed	15,249,847	15,566,468
	<u>106,607,737</u>	<u>106,022,039</u>
Diocesan		
Archdiocesan pastoral services and offices (schedule)	9,730,956	9,422,076
Archdiocesan administration (schedule)	9,770,119	9,779,116
Subsidies, donations and assessments (schedule)	4,350,563	4,116,734
Office of Clergy and Chaplaincy (schedule)	2,170,928	2,169,120
St. Augustine's Seminary	2,450,000	1,739,600
Family of Faith Capital Campaign (note 7)	2,158,160	1,692,127
Other	1,640,359	1,764,651
	<u>32,271,085</u>	<u>30,683,424</u>
	<u>138,878,822</u>	<u>136,705,463</u>
Excess of revenue over expenditures from operations	34,877,501	29,693,558
Change in fair value of investments	(3,912,721)	1,576,173
Excess of revenue over expenditures for the year	<u>30,964,780</u>	<u>31,269,731</u>

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**
Statement of Changes in Deficit
For the year ended December 31, 2018

	2018 \$	2017 \$
Deficit – Beginning of year	(35,379,130)	(15,296,834)
Excess of revenue over expenditures for the year	30,964,780	31,269,731
Appropriations for parish and diocesan properties reserves (note 2)	(45,214,003)	(51,352,027)
Deficit – End of year	<u>(49,628,353)</u>	<u>(35,379,130)</u>
Comprising		
Parish Funds – net of appropriations	(99,513,155)	(85,811,174)
Parish bank borrowing guarantee	36,555,540	34,471,540
Diocesan Discretionary Funds	9,415,262	9,415,262
Diocesan General Funds	3,914,000	6,545,242
	<u>(49,628,353)</u>	<u>(35,379,130)</u>

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Statement of Cash Flows


For the year ended December 31, 2018

	2018 \$	2017 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenditures for the year	30,964,780	31,289,731
Items not involving cash		
Gain on sale of properties	(414,353)	(596,730)
Change in fair value of investments	3,912,721	(1,576,173)
Investment income reinvested	(3,070,137)	(1,681,258)
Change in non-cash working capital items		
Prepaid expenses	122,306	(69,396)
Accrued income	(28,614)	(28,306)
Other loans receivable, amounts receivable and deposits	(1,099,985)	2,348,966
Advances to related entities	(4,440,436)	(2,127,146)
Amounts payable, loans and accrued charges	(3,011,130)	10,189,895
Deferred contributions	4,499,086	6,749,589
Deferred revenue	(77,337)	(77,337)
	<u>27,356,901</u>	<u>44,401,835</u>
Investing activities		
Purchase of properties	(45,740,703)	(52,380,227)
Loan receivable	(15,550)	(1,000,000)
Proceeds on disposal of properties	941,053	1,624,930
Withdrawals from investment portfolio	15,000,000	5,000,000
	<u>(29,815,200)</u>	<u>(46,755,297)</u>
Financing activities		
Parish bank loans – net	1,966,782	9,111,195
Decrease in cash collateral	(1,966,782)	(9,111,195)
	<u>-</u>	<u>-</u>
Decrease in cash and cash equivalents during the year	<u>(2,458,299)</u>	<u>(2,353,462)</u>
Cash and cash equivalents – Beginning of year	<u>26,733,797</u>	<u>29,087,259</u>
Cash and cash equivalents – End of year	<u>24,275,498</u>	<u>26,733,797</u>
Supplementary information		
Interest paid	1,640,360	2,116,865

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Schedule of Archdiocesan Expenditures

For the year ended December 31, 2018

	2018 \$	2017 \$
Archdiocesan pastoral services and offices		
Hospital Chaplaincies	1,173,086	1,111,592
Office for Formation of Discipleship	840,198	803,163
Office for Refugees	738,277	744,912
Office of Public Relations and Communications	672,141	624,278
Office of Catholic Youth	754,485	571,773
Office of the Judicial Vicar	347,195	546,501
York University Chaplaincy	468,041	434,066
Office of Development	339,858	421,443
Office of the Permanent Diaconate	313,789	392,040
Office of Vocations and Serra House	375,703	391,505
Archives	367,144	314,257
Television Ministry	279,977	310,494
Newman Centre Catholic Mission	276,000	276,000
Other Chaplaincies	258,516	275,013
Ryerson University Chaplaincy	206,489	187,049
Office of Planning and Properties	176,069	182,388
Housing Ministry	176,069	182,388
Office of Marriage and Family Life	183,864	179,376
Volunteer Screening Initiative	180,892	165,814
New Beginnings	152,400	148,680
Catechesis of the Good Shepherd	173,171	125,917
Ministry of the Deaf	131,865	125,855
Parish Training Centre	147,159	121,597
U.O.I.T. University Chaplaincy	155,448	114,556
Latin Mass Celebration	173,130	113,984
Immigrant Peoples' Ministries	106,603	100,567
Inner City Apostolate	91,000	90,000
	80,939	86,006
	78,621	72,633
Co-operative Mission Plan	42,841	70,366
Airport Chaplaincy	74,889	70,241
Stewardship and Parish vitality	149,566	-
Pastoral Mission	39,531	61,602
Native Peoples' Ministry	6,000	6,000
	9,730,956	9,422,076
Archdiocesan administration		
Salaries, pension and benefits	6,738,581	6,589,351
General, office and administrative	2,644,050	2,806,898
Property maintenance	387,488	382,867
	9,770,119	9,779,116

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Schedule of Archdiocesan Expenditures ...continued

For the year ended December 31, 2018

	2018 \$	2017 \$
Subsidies, donations and assessments		
Matrimonial tribunals	2,145,596	2,040,000
Other subsidies and donations	1,410,298	1,257,094
Canadian Conference of Catholic Bishops	571,302	493,581
Assembly of Catholic Bishops of Ontario	223,367	226,059
	<hr/> 4,350,563	<hr/> 4,016,734
Office of Clergy and Chaplaincy		
Education, sabbatical and other	1,662,783	1,653,305
Administration	508,145	515,815
	<hr/> 2,170,928	<hr/> 2,169,120
	<hr/> 26,022,566	<hr/> 25,387,046

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

1 Nature of operations

Purpose and community of service

The Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada (the Corporation) referred to as the Archdiocese of Toronto was established for the advancement of Roman Catholic religious worship, instruction and ministry in Toronto. The Corporation was incorporated in 1845 by a special act of the then legislative assembly of the Province of Canada.

The Corporation has a not-for-profit status and is classified under the Income Tax Act (Canada) as a registered charitable organization.

Formation of the Master Trusts

On January 1, 2013, the Archdiocese of Toronto established two Master Trusts, referred to as "Archdiocese of Toronto Fixed Master Trust" and "Archdiocese of Toronto Balanced Master Trust" and they commenced operation on May 1, 2013. The Archdiocese of Toronto acts as the Trust Administrator and in such capacity manages the investment portfolio within the parameters of the Trusts' investment objectives.

The Archdiocese of Toronto is one of the participants in the Trusts.

Basis of preparation

The balance sheet and statements of revenue and expenditures, changes in deficit and cash flows have been prepared on a going concern basis by combining the accounts of the Parish Funds sector and the Diocesan Funds sector. The Diocesan Funds sector accounts are maintained at the Chancery Office, while the Parish Funds sector accounts are maintained in the parishes. Each parish is required to submit to the Chancery Office semi-annual reports of receipts and payments and assets and liabilities.

Controlled entities and significantly influenced entities

The Corporation effectively controls, due to its right to appoint the majority of the voting members of other legal entities' Boards of Directors, the following entities: Catholic Cemeteries & Funeral Services – Archdiocese of Toronto, Catholic Register, St. Augustine's Seminary of Toronto, ShareLife, [REDACTED]

[REDACTED]
St. Michael's Choir School

[REDACTED] These entities have not been consolidated in the financial statements of the Corporation, since separate audited financial statements are produced for each entity and the nature of operations of the individual entities varies. Therefore, consolidated financial statements would not provide additional meaningful information that is not already available to the users.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

The Corporation effectively has significant influence over Shepherd's Trust. The entity has not been consolidated in the financial statements of the Corporation, since separate audited financial statements are produced for this entity and the nature of operations of this entity varies. Therefore, consolidated financial statements would not provide additional meaningful information that is not already available to the users.

2 Summary of significant accounting policies

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) except for:

- an annual provision charge to the general reserve equal to the net property additions for the year and exclusion of deferred capital contributions;
- the inclusion of required disclosures related to non-consolidated controlled entities and significantly influenced entities; and
- parish revenues are recorded on a cash basis.

The more significant of the accounting policies are outlined below.

Capital assets

Parish capital assets consist mainly of church lands, buildings, equipment and parish halls. Diocesan capital assets include land, buildings and land held for new parish development.

Capital assets are recorded at cost or, when acquisition has resulted from a bequest, at the estimated fair value, or nominal value when an estimate of fair value cannot reasonably be made.

Capital expenditures are added to the cost of properties. An annual provision is made by a charge to the general reserve equal to the net property additions during the year. This policy is not in accordance with ASNPO, which requires that amortization of capital assets be recorded on a systematic basis, such as estimated useful life. Based on available capital asset information from the fiscal year ended December 31, 1998 and onwards, if appropriate amortization of the Corporation's capital assets had been recorded for the current year, amortization would have increased by \$15,750,141 (2017 - \$ 14,619,791), excess of revenue over expenditures for the year would have decreased by the same amount and appropriations for parish and diocesan properties reserves would have decreased by the same amount. The cumulative effect of recording appropriate amortization is that the year-end accumulated amortization would have increased by \$131,792,393 (2017 - \$116,042,252), the ending reserves would have increased by \$485,442,193 (2017 - \$455,978,331) and the amounts transferred from the general reserve would have decreased by \$617,234,863 (2017 - \$572,020,860). Furthermore, the information for pre-1998 capital asset expenditures in the amount of \$257,541,550 is not readily available and therefore it is not practicable to quantify the impact of the misapplication of ASNPO on the amortization for the years ended December 31, 2018 and December 31, 2017, the accumulated amortization and amounts transferred from general reserve as at December 31, 2018 and December 31, 2017 and the reserves as at January 1 and December 31, 2018 and December 31, 2017.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

The Corporation is of the view that maintaining its current policy of accounting for capital assets is preferable to adopting the capital asset standard of the Chartered Professional Accountants of Canada (CPA Canada) in that the overwhelming majority of its capital assets pertain to parish churches, halls and rectories, and there is no reasonable way to estimate useful life as it is the intention that, with proper maintenance, these properties have an indeterminate life. This would produce a presentation in the financial statements that, in the view of the Corporation, would not be useful.

Revenue recognition

The Corporation follows the deferral method of accounting for revenues, including donations and bequests. Contributions received for acquisition of capital expenditures are deferred until spent. Unrestricted revenue is recognized when received or receivable, if the amount can be reasonably estimated and collection is reasonably assured.

Restricted donations and bequests are deferred and recognized as revenue in the year in which the related expenditure is recognized.

Reserves

The following reserves have been established:

- **Parish Funds – net of appropriations**

These funds represent monies expended on parish capital assets in excess of parish reserves.

- **Parish bank borrowing guarantee**

This amount has been set aside in respect of funds on deposit with the bank as collateral for bank loans to parishes.

- **Diocesan Discretionary Funds**

These funds are set aside for discretionary use by the Archdiocese of Toronto.

- **Diocesan General Funds**

These funds represent the excess of accumulated diocesan net revenue over accumulated appropriations.

Special diocesan collections

Special collections are cash donations received from members of the various parishes for a specific cause or purpose determined by the Archdiocese of Toronto. These funds are collected and then remitted to the respective cause or purpose.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements
December 31, 2018

Parish bank loans

Parish bank loans consist of loans to fund building projects and the ongoing needs of the parishes. The loans are secured by the cash collateral provided by the Archdiocese of Toronto. The loans bear interest at 4% and are repayable within the next year.

Pension plan

The Corporation maintains a defined contribution pension plan for all eligible lay employees. Employer contributions to the plan for the year were \$950,199 (2017 - \$887,217).

Financial instruments

The Corporation initially measures all its financial assets and financial liabilities at fair value and subsequently at amortized cost, except for investments, which are recorded at fair value. Changes in fair value are recognized in the statement of revenue and expenditures. Financial assets are tested for impairment at the end of each reporting period when there are indicators the assets may be impaired.

Transactions are recorded on a settlement date basis and are expensed as incurred.

3 Cash and cash equivalents

Cash and cash equivalents include bankers' acceptances with maturities of less than one year, and are recorded at fair value.

Cash and cash equivalents are comprised of the following:

	2018 \$	2017 \$
Cash	13,194,786	14,144,637
Bankers' acceptances	11,080,732	12,589,160
	<u>24,275,498</u>	<u>26,733,797</u>

4 Investments

The Corporation is invested in units of the Archdiocese of Toronto Balanced Master Trust (the Trust). Units of the Trust are not offered to the public by way of prospectus but are offered privately by way of offering memorandum. Units are issued pursuant to the Amended and Restated Master Trust Agreement. Units of the Trust are redeemable monthly at the option of the unitholders in accordance with the provisions of the declaration of trust at their net asset value and do not have any nominal or par value.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

Investments held by the Trust consist of a portfolio of pooled funds invested in bonds, equities and/or treasury bills managed by independent investment managers. The fair value of securities held by the pooled funds and traded in an active market is based on the closing market price under International Financial Reporting Standards (IFRS). Cost represents proceeds paid on investment purchases, reinvestment of distributions and other investment income and is net of investment dispositions.

Details of the cost and fair value for investments held are as follows:

	2018		2017	
	Cost \$	Fair value \$	Cost \$	Fair value \$
Pooled funds and other	30,431,760	28,903,907	41,116,332	44,746,491

5 Commitments and contingencies

- a) Capital expenditures of \$45,740,703 (2017 – \$52,380,227) were incurred for the acquisition, construction and improvement of properties during the year.

In the normal course of operations, the Corporation undertakes construction and restoration of buildings and the purchase of land. As at December 31, 2018, these budgeted commitments amount to approximately \$69,779,602 (2017 – \$75,900,000).

In addition, the Corporation issued letters of credit totalling \$3,720,586 (2017 – \$2,960,000) relating to construction projects.

The Corporation has committed \$1,415,840 in 2018 to the construction company responsible for completing the restoration of St. Michael's Cathedral in Toronto. The total costs billed to the Corporation to the end of December amount to \$136,850,356, for a total restoration project cost of \$138,266,196.

- b) From time to time, the Corporation is named in lawsuits related to its activities. Where the potential liability can be estimated, management believes the ultimate resolution will not have a material effect on the financial statements. In other cases, due to the stage of the claim, it is not possible to estimate the possible financial liability. Accordingly, no material provisions have been made for loss in these financial statements.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

6 Credit standby arrangement and loan facility

The Corporation has established a credit facility with a financial institution consisting of a demand operating credit of \$3,500,000 with interest calculated at the financial institution's prime rate minus 0.75% per annum. The demand operating facility was not drawn on as at December 31, 2018.

In addition, the Corporation has a demand instalment loan for \$46,000,000 (2017 - \$46,000,000), bearing interest at 1.65% to 2.21% (2017 - 1.37% to 1.42%) and was used to assist in the restoration of St. Michael's Cathedral. Subsequent to year-end, the loan was converted to a non-revolving amortizing loan. Repayment of the loan, over 15 years, commenced on January 1, 2019 at agreed monthly blended principal and interest payments of \$256,000.

7 Deferred contributions – Family of Faith Capital Campaign Funds

In fiscal 2003, the Archdiocese of Toronto embarked on a capital campaign to raise \$105 million to strengthen its Catholic Family. The funds to be raised in partnership with the parishes and Catholic leaders from the community will address priorities as identified in the Pastoral Plan. The Campaign is to continue over the next year with funds to be received over the next year.

The following represents the changes in the deferred contributions – Family of Faith Capital Campaign Funds during the year:

	2018 \$	2017 \$	Cumulative to 2018 \$
Balance – Beginning of year	20,598,608	17,209,419	-
Capital Campaign Funds received	22,759,496	24,558,934	117,812,351
Funds distributed to the Diocese	(11,761,669)	(10,310,637)	(62,866,713)
Funds distributed to the Parishes	(10,504,788)	(8,748,580)	(33,029,915)
Funds expended for programs	5,819,023	(1,433,841)	17,561,030
Funds distributed to others	-	-	(1,102,773)
Capital Campaign costs	(962,976)	(676,687)	(12,426,286)
Balance – End of year	<u>25,947,694</u>	<u>20,598,608</u>	<u>25,947,694</u>

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

The Family of Faith revenue is reconciled to the qualifying expenditures as follows:

	2018 \$	2017 \$	Cumulative to 2018 \$
Diocese			
Family of Faith revenue	6,886,078	12,421,166	57,712,424
Family of Faith qualifying expenditures:			
Parishes capital expenditures			
St. Michael's Cathedral capital expenditures	-	3,792,000	25,000,000
Ryerson Catholic Chaplaincy	-	-	1,000,000
Guardian Angels parish capital expenditures	2,000,000	-	4,000,000
St. Josephine Bakhita parish capital expenditures	-	2,099,839	4,000,000
Other parishes capital expenditures	1,952,176	4,407,100	6,460,557
Lay Pastoral Associates expenditures	153,437	8,300	161,737
Youth Ministry expenditures	622,305	421,800	1,386,007
Family of Faith Capital Campaign costs	962,976	676,687	12,426,286
Family of Faith expenditures – others	1,195,184	1,015,440	3,277,837
	<u>6,886,078</u>	<u>12,421,166</u>	<u>57,712,424</u>
Parish			
Family of Faith expenditures	10,504,788	8,748,580	33,029,915
Add: Youth and Pastoral Associates expenditures	775,742	430,100	1,547,744
Family of Faith qualifying expenditures	<u>11,280,530</u>	<u>9,178,680</u>	<u>34,577,659</u>

8 Deferred contributions – Catholic Cemeteries & Funeral Services – Archdiocese of Toronto

Deferred contributions consist of grants from Catholic Cemeteries & Funeral Services – Archdiocese of Toronto that are restricted for the future needs of the Corporation. The changes in the deferred contributions balance are as follows:

	2018 \$	2017 \$
Balance – Beginning of year	14,485,396	11,124,996
Amounts received during the year	10,000,000	7,000,000
Amounts recognized as other income	(8,400,000)	(1,900,000)
Amounts granted to St. Augustine's Seminary	(2,450,000)	(1,739,600)
Balance – End of year	<u>13,635,396</u>	<u>14,485,396</u>

9 Loan from Catholic Cemeteries & Funeral Services – Archdiocese of Toronto

In 2014, the Catholic Cemeteries & Funeral Services – Archdiocese of Toronto extended a \$7,000,000 loan to the Corporation, bearing interest at 4% per annum. This loan was repaid subsequent to year-end.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

10 Advances to related entities

Advances to related entities are non-interest bearing with no fixed terms of repayment. Advances have been made to the following related entities:

	2018 \$	2017 \$
St. Augustine's Seminary Catholic Register	15,115,161 299,900	10,674,725 299,900
	<u>15,415,061</u>	<u>10,974,625</u>

11 Financial risk management

The Corporation is exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. The Corporation has adopted an integrated risk management framework. The framework provides a consistent methodology to manage risks across the Corporation.

Market risk

The Corporation is exposed to market risk through the fluctuation of the fair value of investments due to changes in market prices. The Corporation is exposed to market risk through other price risk.

Other price risk is the risk the fair value of financial instruments will fluctuate due to changes in market prices, 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 Corporation manages this risk for the portfolio through diversification by investing in a variety of investments in the Trust and the portfolio is governed by the Archdiocese Investment Advisory Committee.

Credit risk

Credit risk is the risk of financial loss resulting from a counterparty's inability or refusal to honour its contractual obligations to the Corporation. The Corporation's credit risk exposure relates to cash, investments receivables and advances on the balance sheet. The Corporation's credit risk is limited as it places its cash with major Canadian financial institutions of high creditworthiness and investments are management within the Master Trust.

Liquidity risk

Liquidity risk results from the Corporation's potential inability to meet its obligations associated with the financial liabilities as they come due. The Corporation manages its liquidity risk by forecasting cash flows from operations and anticipating investing and financing activities to ensure it has sufficient available funds to meet current and foreseeable financial requirements. The Corporation's exposure to liquidity risk relates to the balance of amounts payable, loans and accrued charges.

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Notes to Financial Statements

December 31, 2018

12 Restatement

Prior year comparative figures have been amended to reclassify church receipts relating to other donations into other receipts within the statement of revenue and expenditures, to eliminate intercompany investment income and interest expense within the statement of revenue and expenditures, and disclose bank indebtedness separately from amounts payable and accrued charges on the statement balance sheet as follows:

	2017		
	As previously stated \$	Adjustment \$	Restated \$
Balance sheet			
Amounts payable and accrued charges	81,390,262	(46,000,000)	35,390,262
Bank indebtedness	-	46,000,000	46,000,000
Statement of revenue and expenditures			
Church receipts, including special offerings, legacies and hall revenue	83,467,750	(2,019,551)	81,448,199
Other receipts	43,636,141	2,019,551	45,655,692
Income from investments, loans and bank deposits	3,025,814	(1,098,814)	1,927,000
Interest on borrowings	1,098,814	(1,098,814)	-

13 Subsequent event

On April 2, 2019, the Corporation entered into a purchase and sale agreement to sell a real property to a developer for a minimum purchase price of \$44 million. The purchase price will be increased in the event the developer obtains development approvals permitting density on the site in excess of a stated threshold density. The sale proceeds received by the Corporation on closing will ultimately be applied, in part, to the construction costs incurred by the Corporation after the closing of the transaction to build a new church on the site. The Corporation also has the option to purchase condominium units from the developer. Should the option be exercised, an additional portion of the sale proceeds would be applied to the purchase price of the units. The agreement is subject to several conditions, including the receipt by the developer of satisfactory approvals from the City of Toronto.

**Roman Catholic Episcopal
Corporation for the Diocese
of Toronto, in Canada**

Diocesan Funds
Financial Statements
(Unaudited)
December 31, 2018

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Statement 1 – Balance Sheet

(Unaudited)

As at December 31, 2018

	2018 \$	2017 \$
Assets		
Current assets		
Cash – chancery funds	924,974	1,110,541
Cash equivalents	10,879,708	12,388,136
Cash collateral – parish bank loans	36,555,540	34,471,540
Prepaid expenses	434,598	556,932
Accrued income	316,507	287,893
Parishes receivable – for properties	188,220,365	170,917,803
Other loans receivable, amounts receivable and deposits	25,309,325	20,822,822
	<u>292,641,015</u>	<u>240,555,637</u>
Investments	<u>28,903,907</u>	<u>44,746,491</u>
Capital assets		
Diocesan properties	25,847,589	24,580,320
Land for new parishes	14,194,608	14,077,410
	<u>40,042,157</u>	<u>38,657,730</u>
Less: Amounts transferred from general reserve	40,042,156	38,657,729
	<u>1</u>	<u>1</u>
Special diocesan collections – cash (statement 6)	<u>1,932,700</u>	<u>3,005,549</u>
	<u>293,477,623</u>	<u>288,307,678</u>
Liabilities		
Current liabilities		
Amounts payable, loans and accrued charges	34,252,807	36,450,832
Bank loan payable	46,000,000	46,000,000
Loan payable to related entity	7,000,000	7,000,000
Funds advanced from parishes	31,500,000	29,500,000
Loans payable to parishes	83,485,717	80,256,694
	<u>202,238,524</u>	<u>199,207,726</u>
Deferred contributions		
Family of Faith Capital Campaign Funds	8,386,663	8,856,600
Catholic Cemeteries & Funeral Services – Archdiocese of Toronto	13,635,396	14,485,396
	<u>22,022,059</u>	<u>23,341,996</u>
Special diocesan collections – liabilities (statement 6)	<u>1,932,700</u>	<u>3,005,549</u>
	<u>226,193,283</u>	<u>225,555,271</u>
Reserves		
Diocesan funds (statement 5)	19,226,336	13,486,074
Special reserves (statement 5)	46,505,684	44,425,280
General fund (statement 3)	1,552,320	4,841,053
	<u>67,284,340</u>	<u>62,752,407</u>
	<u>293,477,623</u>	<u>288,307,678</u>

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Statement 2 – Statement of Revenue and Expenditures

(Unaudited)

For the year ended December 31, 2018

	2018 \$	2017 \$
Revenue		
Contributions, grants and other income	10,263,970	4,198,770
Investments	3,283,566	1,884,642
Bank interest	1,452,328	1,141,172
Rentals	840,767	744,799
Donations and bequests	1,519,953	458,630
	<u>17,360,584</u>	<u>8,428,013</u>
Expenditures		
Interest	3,739,194	2,992,475
St. Augustine's Seminary	2,450,000	1,739,600
Maintenance of properties	268,496	253,525
Family of Faith Capital Campaign		
Campaign costs	962,976	1,423,287
Video Conference outreach	111,283	390,865
Parish Youth Ministers	622,305	421,800
Good Leaders, Good Shepherds	143,000	200,000
Voice in the Public Square	62,364	77,975
St. Michael's Cathedral restoration	-	3,792,000
Other Family of Faith programs	916,974	354,900
Electronic Outreach	115,000	-
	<u>9,391,592</u>	<u>11,646,427</u>
Excess (deficiency) of revenue over expenditures – general account	7,968,992	(3,218,414)
Change in fair value of investments	(3,912,721)	1,576,173
Deficiency of revenue over expenditures – operating account (statement 4)	(13,212,655)	(12,458,023)
Contributions received from		
Catholic Cemeteries Archdiocese of Toronto	2,450,000	1,739,600
Family of Faith Capital Campaign	6,886,078	12,421,166
Excess of revenue over expenditures for the year	<u>179,694</u>	<u>60,502</u>

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Statement 3 – Statement of General Reserve – General Account
(Unaudited)

For the year ended December 31, 2018

	2018 \$	2017 \$
General fund – Beginning of year	4,841,053	13,668,310
Excess of revenue over expenditures for the year	179,694	60,502
Appropriations to general reserve		
Parish bank borrowing guarantee	(2,084,000)	(9,119,421)
Properties	(1,384,427)	231,662
General fund – End of year	<u>1,552,320</u>	<u>4,841,053</u>

Roman Catholic Episcopal Corporation for the Diocese of Toronto, in Canada

Statement 4 – Statement of Revenue and Expenditures – Operating Account
(Unaudited)

For the year ended December 31, 2018

	2018 \$	2017 \$
Revenue		
Diocesan assessment	10,908,593	10,872,255
Expenditures		
Chancery office		
Salaries and benefits	3,043,542	2,843,492
Office	1,165,194	1,313,393
Professional fees	739,639	631,603
Liturgical celebrations	96,794	229,364
Occupancy costs	290,541	227,277
Car and travel	74,253	114,246
Telephone	15,884	2,554
	5,425,847	5,361,929
Regional Bishops' offices		
Salaries, office and other	703,637	714,265
Archdiocesan pastoral services and offices		
Hospital Chaplaincies	1,173,086	1,111,592
Office for Formation of Discipleship	840,198	803,163
Office for Refugees	738,277	744,912
Office of Public Relations and Communications	672,141	624,278
Office of Catholic Youth	754,485	571,773
York University Chaplaincy	468,041	434,066
Office of Development	339,858	421,443
Office of Vocations	375,703	391,505
Archives	367,144	314,257
Office of the Permanent Diaconate	313,789	392,040
Television Ministry	279,977	310,494
Stewardship and Parish vitality	149,566	-
Newman Centre Catholic Mission	276,000	276,000
Office of the Judicial Vicar	347,195	546,501
Other Chaplaincies	230,183	245,027
Office of Marriage and Family Life	183,864	179,376
Volunteer Screening Initiative	180,892	165,814
Office of Planning and Properties	176,069	182,388
Housing Ministry	176,069	182,388
New Beginnings	152,400	148,680
Ryerson University Chaplaincy	206,489	187,049
Ministry of the Deaf	131,865	125,655
Catechesis of the Good Shepherd	173,171	125,917
[REDACTED]	78,621	72,633
Inner City Apostolate	91,000	90,000
Airport Chaplaincy	74,889	70,241
Pastoral Mission	39,531	61,602
	8,990,503	8,776,994
Carried forward	8,990,503	8,776,994

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Statement 4 – Statement of Revenue and Expenditures – Operating Account ...continued
(Unaudited)

For the year ended December 31, 2018

	2018 \$	2017 \$
Brought forward	8,990,503	8,778,994
Archdiocesan pastoral services and offices ...continued		
Parish Training Centre	147,159	121,597
Latin Mass Celebration	173,130	113,984
U.O.I.T. University Chaplaincy	155,448	114,556
████████████████████	80,939	86,006
Co-operative Mission Plan	42,841	70,386
Immigrant Peoples' Ministries	106,603	100,587
Migrant Workers Chaplaincy	28,333	29,986
Madonna House	6,000	6,000
Native Peoples' Ministry	6,000	6,000
	<u>9,736,956</u>	<u>9,428,076</u>
Office of Clergy and Chaplaincy		
Education, sabbatical and other	1,662,783	1,653,305
Administration	508,145	515,815
	<u>2,170,928</u>	<u>2,169,120</u>
Subsidies and assessments		
Matrimonial tribunals	2,145,596	2,040,000
Other subsidies and donations	1,460,753	1,279,944
Assembly of Catholic Bishops of Ontario	223,367	226,059
Canadian Conference of Catholic Bishops	198,522	114,432
	<u>4,028,238</u>	<u>3,660,435</u>
Maintenance of residences	<u>118,993</u>	<u>129,342</u>
Grants and donations	<u>1,936,649</u>	<u>1,867,111</u>
	<u>24,121,248</u>	<u>23,330,278</u>
Deficiency of revenue over expenditures for the year		
Transferred to general reserve	<u>(13,212,655)</u>	<u>(12,458,023)</u>

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Statement 5 – Statement of Changes in Diocesan Funds and Special Reserves
(Unaudited)

For the year ended December 31, 2018

	Balance – December 31, 2017 \$	Additions and appropriations \$	Disbursements and appropriations \$	Balance – December 31, 2018 \$
Diocesan funds				
Housing Projects Funds	1,720,032	-	77,337	1,642,695
Archdiocese Family of Faith Fund	11,742,008	11,811,689	5,992,645	17,561,032
Archbishop's Fund	24,034	575	2,000	22,609
	<u>13,486,074</u>	<u>11,812,244</u>	<u>6,071,982</u>	<u>19,226,338</u>
Special reserves				
Parish bank borrowing guarantee	34,471,540	2,084,000	-	38,555,540
Discretionary Funds	9,415,262	-	-	9,415,262
Other	538,478	27,409	31,005	534,882
	<u>44,425,280</u>	<u>2,111,409</u>	<u>31,005</u>	<u>46,505,684</u>
	<u>57,911,354</u>	<u>13,923,653</u>	<u>6,102,987</u>	<u>65,732,020</u>

**Roman Catholic Episcopal Corporation for the
Diocese of Toronto, in Canada**

Statement 6 – Statement of Special Diocesan Collections

(Unaudited)

For the year ended December 31, 2018

	Balance – December 31, 2017 \$	Collections \$	Charitable disbursements \$	Balance – December 31, 2018 \$
Special diocesan collections				
Bishops' collection	327,385	367,150	372,780	321,755
Mission Co-operative Plan	1,116,925	983,861	969,994	1,130,792
Mass intentions	57,677	37,320	12,500	82,497
Canadian Missions	-	422,091	422,091	-
Papal charities	-	418,260	418,260	-
Propagation of the Faith	-	451,091	451,091	-
████████████████████	-	430,521	430,521	-
Holy Land	-	882,248	882,248	-
Disaster relief	1,503,562	389,161	1,495,067	397,656
	<u>3,005,548</u>	<u>4,381,703</u>	<u>5,454,552</u>	<u>1,932,700</u>

Note: The above special diocesan collections do not include amounts remitted directly by the parishes to ShareLife and to The Shepherds' Trust.