

Ex 18 25

Non-consolidated Financial Statements of

DIOCESE OF LONDON

Year ended December 31, 2002

DIOCESE OF LONDON

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December 31, 2002

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AUDITORS' REPORT

Most Reverend Ronald Peter Fabbro, C.S.B., Bishop of London

We have audited the non-consolidated statement of financial position of the Diocese of London as at December 31, 2002 and the non-consolidated statements of operations, changes in net assets, Chancery operating expenditures, Chancery ministry expenditures and special collections expenditures for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the corporation derives most of its revenue from parishioners in the form of collections and donations which are not susceptible to complete audit verification. Accordingly, our verification of revenue from this source was limited to accounting for the amounts recorded in the accounts of the corporation and we were not able to determine whether any adjustments might be necessary to revenue, assets and fund balances.

In our opinion, except for the effect of possible adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of collections and donations from parishioners referred to in the preceding paragraph, these non-consolidated financial statements present fairly, in all material respects, the financial position of the corporation as at December 31, 2002 and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian generally accepted accounting principles, except that they are prepared on a non-consolidated basis as explained in note 1.

KPMG LLP

Chartered Accountants

London, Canada
April 25, 2003



DIOCESE OF LONDON

Non-consolidated Statement of Financial Position

December 31, 2002, with comparative figures for 2001
(in thousands of dollars)

	2002	2001
Assets		
Cash (note 3)	\$ 4,891	\$ 7,203
Accounts receivable (note 4)	1,669	1,998
World Youth Day	-	317
Employee future benefits (note 10)	387	852
Investment in educational institutions (note 5)	1	1
Investments (note 6)	31,058	33,967
Capital assets (note 7)	74,165	64,113
	<u>\$ 112,171</u>	<u>\$ 108,451</u>
Liabilities and deferred contributions		
Accounts payable and accrued liabilities (note 4)	\$ 5,392	\$ 3,410
Employee future benefits (note 10)	4,223	4,057
Unspent parish funds for operations (note 8)	3,080	6,173
Deferred capital contributions (note 9)	44,671	41,195
	<u>57,366</u>	<u>54,835</u>
Net assets		
Investment in capital assets (note 7)	33,074	26,258
Endowments (note 11)	15,260	15,260
Internally restricted (note 12)	12,737	14,222
Unrestricted	(6,266)	(2,124)
	<u>54,805</u>	<u>53,616</u>
Commitments (note 14)		
Contingency (note 15)		
	<u>\$ 112,171</u>	<u>\$ 108,451</u>

See accompanying notes to non-consolidated financial statements.

On behalf of the Corporation:

_____ Bishop _____ Vicar General

DIOCESE OF LONDON

Non-consolidated Statement of Operations

Year ended December 31, 2002, with comparative figures for 2001
(in thousands of dollars)

	Parishes		Chancery		Total	
	2002	2001	2002	2001	2002	2001
Revenue:						
Collections and donations	\$ 37,606	\$ 37,797	\$ 161	\$ 145	\$ 37,767	\$ 37,942
Parish programs	2,415	1,270	-	-	2,415	1,270
Bequests and stipends	1,100	1,312	315	155	1,415	1,467
Sundry	1,204	1,180	74	282	1,278	1,462
Investments	252	375	(347)	223	(95)	598
Property	854	841	43	30	897	871
Parish assessments	-	-	3,958	3,645	3,958	3,645
Cemetery assessments	-	-	465	447	465	447
Gain on sale of capital assets	17	673	1,679	499	1,696	1,172
Amortization of deferred capital contributions	1,976	1,757	-	-	1,976	1,757
	45,424	45,205	6,348	5,426	51,772	50,631
Expenses:						
Parish operating costs	29,767	26,769	-	-	29,767	26,769
Chancery operating expenditures (statement page 5)	-	-	3,830	2,811	3,700	2,811
Chancery ministry expenditures (statement page 6)	-	-	2,326	2,240	2,326	2,240
Parish and outreach expenditures	2,611	2,496	-	-	2,611	2,496
Special collections expenditures (statement page 7)	543	639	350	350	893	989
World Youth Day	-	-	1,936	-	1,936	-
Parish assessments	3,958	3,645	-	-	3,958	3,645
Continuing education	237	214	-	-	237	214
Amortization of capital assets	2,798	2,486	94	70	2,892	2,556
St. Peter's Seminary endowment (note 12)	-	-	389	61	389	61
St. Peter's Cathedral endowment (note 12)	-	-	59	7	59	7
	39,914	36,249	8,984	5,539	48,768	41,788
Excess (deficiency) of revenue over expenses before undernoted items	5,510	8,956	(2,636)	(113)	3,004	8,843
Deferred revenue:						
Increase in funds held by parishes (note 8)	1,059	4,334	-	-	1,059	4,334
Parish capital assets	4,451	4,622	-	-	4,451	4,622
	5,510	8,956	-	-	5,510	8,956
Excess (deficiency) of revenue over expenses	\$ -	\$ -	\$ (2,636)	\$ (113)	\$ (2,506)	\$ (113)

See accompanying notes to non-consolidated financial statements.

DIOCESE OF LONDON

Non-consolidated Statement of Changes in Net Assets

Year ended December 31, 2002, with comparative figures for 2001
(in thousands of dollars)

	Investment in capital assets (note 7)	Parish		Internally restricted (note 12)	Unrestricted	2002 Total	2001 Total
		contribution to capital assets (note 8)	Endowments (note 11)				
Balance, beginning of year (as previously restated)	\$ 26,258	\$ -	\$ 15,260	\$ 14,222	\$ (2,124)	\$ 53,616	\$ 49,119
Adjustment for additional pension obligation (note 2)	-	-	-	-	(327)	(327)	-
Net asset, restated	26,258	-	15,260	14,222	(2,451)	53,289	49,119
Excess of expenses over revenue	-	-	-	-	(2,636)	(2,636)	(113)
Net change in investment in capital assets (note 7)	6,816	(4,152)	-	-	(2,664)	-	-
Internally restricted	-	4,152	-	(1,485)	1,485	4,152	4,610
Balance, end of year	\$ 33,074	\$ -	\$ 15,260	\$ 12,737	\$ (6,266)	\$ 54,805	\$ 53,616

See accompanying notes to non-consolidated financial statements.

DIOCESE OF LONDON

Non-consolidated Statement of Chancery Operating Expenditures

Year ended December 31, 2002, with comparative figures for 2001
(in thousands of dollars)

	2002	2001
Diocesan:		
Administration office salaries and benefits	\$ 774	\$ 602
Office	98	81
Lay pension plan	33	29
Travel	48	40
Insurance	32	29
Telephone	19	19
Heat and light	32	30
Maintenance	40	39
Postage and mailing	22	19
Computer	31	45
Professional fees	55	55
Human resources	287	303
Communication	59	70
French translation	22	22
Education co-ordination	21	10
Parish support	65	5
Maintenance of properties	87	98
Fund raising office	8	8
Vitality study	-	8
Bank service charges	76	77
Bank interest	55	-
	<u>1,864</u>	<u>1,589</u>
Support of clergy and ministries:		
Care of clergy	1,331	583
Pastoral expenses	237	185
Bishops' residences and office	201	208
Retirement home	45	46
Vocation	20	37
Pastoral ministry	25	44
Sabbatical costs	59	50
Canadian and Ontario Conferences of Catholic Bishops	48	69
	<u>1,966</u>	<u>1,222</u>
	<u>\$ 3,830</u>	<u>\$ 2,811</u>

See accompanying notes to non-consolidated financial statements.

DIOCESE OF LONDON

Non-consolidated Statement of Chancery Ministry Expenditures

Year ended December 31, 2002, with comparative figures for 2001
(in thousands of dollars)

	2002	2001
Bishops' charities and donations	\$ 150	\$ 164
Holy Family Retreat House	108	105
Hospital chaplaincy	267	261
Liturgy	99	105
Marriage tribunal	330	351
Project Hope	7	6
Regional co-ordinating programs:		
Windsor/Essex	159	156
London/Elgin/St. Stephen's Centre	103	140
Lambton/Kent	107	114
Huron/Perth	67	68
Program resource manager	134	109
Social justice	201	206
Family life and youth	245	260
Permanent Diaconate	82	66
Spanish and Portuguese communities	46	45
Religious education	116	78
Diocesan celebrations	105	6
	\$ 2,326	\$ 2,240

See accompanying notes to non-consolidated financial statements.

DIOCESE OF LONDON

Non-consolidated Statement of Special Collections Expenditures

Year ended December 31, 2002, with comparative figures for 2001
(in thousands of dollars)

	Parish collections	Chancery	2002 Total	2001 Total
Holy Land	\$ 1	\$ 120	\$ 121	\$ 121
Papal charities	1	63	64	65
Needs of the Canadian Church	-	83	83	87
Catholic Church extension and Scarborough Foreign Mission Society	-	57	57	59
Canadian Catholic Organization for Development and Peace (Share Lent and South American Mission)	337	-	337	354
St Peter's Seminary	176	-	176	156
Disaster relief	28	-	28	120
Mission Commission	-	27	27	27
	\$ 543	\$ 350	\$ 893	\$ 989

See accompanying notes to non-consolidated financial statements.

DIOCESE OF LONDON

Notes to the Non-Consolidated Financial Statements

Year ended December 31, 2002

(in thousands of dollars)

1. Significant accounting policies:

(a) Basis of presentation:

The non-consolidated financial statements of The Roman Catholic Episcopal Corporation of the Diocese of London in Ontario ("Diocese of London") include the accounts of the parishes and Diocesan offices as at December 31, 2002.

The financial position and results of operations of related institutions, St. Peter's Seminary and King's College, have not been consolidated because they are independently operated and their funds are not, under normal conditions, available to the Diocese. The investment in these educational institutions is reflected in the non-consolidated financial statements at a nominal value. A summary of the financial position and changes in fund balances of these two institutions is provided in note 5. Audited financial statements of these institutions are available from the Chancery office.

(b) Management uncertainty:

The preparation of the corporation financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenue and expenses during the year. The inherent uncertainty in making such estimates may impact the actual results reported in future periods.

(c) Revenue recognition:

The corporation follows the deferral method of accounting for contributions which include donations and bequests.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

DIOCESE OF LONDON

Notes to the Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002
(in thousands of dollars)

1. Significant accounting policies (continued):

(d) Investments:

Funds available for investment are pooled and managed by external fund managers. Investment income is allocated on the basis of the average balance in each fund. To facilitate allocation, these investments are recorded in the accounts at market value. Realized and unrealized gains and losses arising on the recognition of market value are recorded in the year they occur.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized.

Capital assets are amortized on a straight-line basis using the following annual rates:

Asset	Rate
Buildings	40 years
Equipment	3 - 5 years

2. Retroactive adjustment:

The corporation has restated its opening unrestricted deficit to adjust for certain post retirement benefits originally omitted as part of the change in accounting policy adopted in 2000. The impact of the restatement was a reduction to opening net assets of \$327 and a decrease in the employee future benefits asset.

3. Cash:

	2002	2001
Cash:		
Parishes	\$ 6,497	\$ 7,019
Chancery	(1,606)	184
	\$ 4,891	\$ 7,203

All parish cash is concentrated in interest bearing bank accounts.

DIOCESE OF LONDON

Notes to the Non-Consolidated Financial Statements (continued)

Year ended December 31, 2001
(in thousands of dollars)

4. Accounts receivable and accounts payable:

	2002		2001	
Accounts receivable:				
St. Peter's Seminary	\$	34	\$	68
Cemeteries		352		123
Mortgages on sale of properties		511		772
Commodity taxes recoverable		237		215
Other		535		820
	\$	1,669	\$	1,998
Accounts payable:				
St. Peter's Seminary	\$	189	\$	384
London District Catholic School Board (note 13)		2,650		-
Other		2,553		3,026
	\$	5,392	\$	3,410

5. Educational institutions:

The following is a summary of the financial position and changes in fund balances of St. Peter's Seminary and King's College as at April 30, 2002, with comparative figures for 2001. This is the latest date for which audited financial statements are available.

St. Peter's Seminary

	2002		2001	
	Operating funds	Restricted funds	Operating funds	Restricted funds
Total assets	\$ 409	\$ 6,794	\$ 326	\$ 6,521
Liabilities	\$ 510	\$ -	\$ 129	\$ -
Investment in capital assets	-	2,864	-	2,926
Fund balances	(101)	3,930	197	3,595
	\$ 409	\$ 6,794	\$ 326	\$ 6,521
Net increase (decrease) in fund balances	\$ (298)	\$ 273	\$ (562)	\$ 46

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002

(in thousands of dollars)

5. Educational institutions (continued):

King's College

	2002		2001	
	Operating funds	Restricted funds	Operating funds	Restricted funds
Total assets	\$ 2,206	\$ 17,654	\$ 2,028	\$ 17,389
Liabilities	\$ 1,856	\$ 5,910	\$ 914	\$ 6,189
Investment in capital assets	-	6,226	-	5,664
Fund balances	350	5,518	1,114	5,536
	\$ 2,206	\$ 17,654	\$ 2,028	\$ 17,389
Net increase (decrease) in fund balances	\$ (764)	\$ 544	\$ (115)	\$ 1,975

6. Investments:

The corporation funds are invested in pooled funds that hold short-term investment, bonds and Canadian and foreign equities. These investments are subject to market value fluctuations and the corporation records their investments at market value. Accordingly, the year-end market values and investment income for the year include unrealized gains and losses on the funds. Investments as at December 31, consist of the following:

	Market value	
	2002	2001
Money Market Fund	\$ 2,566	\$ 475
Canadian Fixed Income Fund	15,031	24,126
Real Return Bond Fund	3,461	-
Canadian Equity Fund	10,049	9,757
Canadian Small Company Equity Fund	572	-
U.S. Large Company Equity Fund	2,961	2,816
U.S. Small Company Equity Fund	506	365
EAFE Fund	1,898	3,172
	37,044	40,711
Other	178	100
	37,222	40,811
Assets administered on behalf of others:		
St. Peter's Seminary	3,401	3,579
St. John the Evangelist Pension Fund Society	1,510	2,051
Trusts	1,253	1,214
	6,164	6,844
	\$ 31,058	\$ 33,967

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002

(in thousands of dollars)

7. Capital assets:

	Cost		Accumulated amortization		Net book value	
	2002	2001	2002	2001	2002	2001
Land	\$ 7,264	\$ 4,650	\$ -	\$ -	\$ 7,264	\$ 4,650
Buildings	88,416	79,040	22,960	20,750	65,456	58,290
Equipment	3,385	2,870	1,940	1,697	1,445	1,173
	\$ 99,065	\$ 86,560	\$ 24,900	\$ 22,447	\$ 74,165	\$ 64,113

The investment in capital assets consists of the following:

	2002	2001
Capital assets	\$ 74,165	\$ 64,113
Amounts financed by deferred capital contributions	(41,091)	(37,855)
	\$ 33,074	\$ 26,258

The changes in investment in capital assets is calculated as follows:

	2002	2001
Purchase of capital assets internally funded	\$ 7,732	\$ 5,507
Amortization of capital assets	(2,892)	(2,556)
Amortization of deferred capital contributions (note 8)	1,976	1,757
	\$ 6,816	\$ 4,708

8. Unspent parish funds for operations:

	2002	2001
Balance, beginning of year	\$ 6,179	\$ 6,449
Increase in funds held by parishes	1,059	4,334
Parish contributions to capital assets	(4,158)	(4,610)
Balance, end of year	\$ 3,080	\$ 6,173

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002

(in thousands of dollars)

9. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations. The changes in deferred contributions balances are as follows:

	2002	2001
Balance, beginning of year	\$ 41,195	\$ 38,330
Additional contributions received	5,452	4,622
Less amounts amortized to revenue	(1,976)	(1,757)
Balance, end of year	\$ 44,671	\$ 41,195

This balance represents:

	2002	2001
Amounts used for the purchase of capital assets (note 7)	\$ 41,091	\$ 37,855
Amounts to be spent on capital assets	3,580	3,340
	\$ 44,671	\$ 41,195

10. Employee future benefits:

The Diocese of London has a defined benefit pension plan for the clergy and a defined contribution plan for lay employees.

The Diocese also has a health care plan covering all clergy and some lay employees.

The interval between actuarial valuations for pensions and other post-employment benefits does not exceed three years with the most recent valuations prepared as January 1, 2001 for clergy. In the years between valuations, an extrapolation of the actuarial valuation is used to determine the market-related value of the plan assets and the projected benefit obligations.

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002

(in thousands of dollars)

10. Employee future benefits (continued):

Information about the Diocese of London defined benefit plans as at December 31, in aggregate, is as follows:

	Pension Benefit Plans		Other Post-Employment Plans	
	2002	2001	2002	2001
Future benefit obligation	\$ 4,919	\$ 4,552	\$ 4,223	\$ 4,057
Fair value of plan assets	4,592	5,139	-	-
Funded status, plan surplus	-	587	-	-
Benefit asset (liability)	387	852	(4,223)	(4,057)

The significant actuarial assumptions adopted in measuring the Company's accrued benefit obligations are as follows:

	Pension Benefit Plans		Other Post-Employment Plans	
	2002	2001	2002	2001
Discount rate	7.0%	7.0%	7.0%	7.0%
Rate of compensation increase:				
Dental cost increase			4.5%	4.5%
Health cost trends:				
Initial rate			8.5%	9.5%
Ultimate rate			4.5%	4.5%
Year ultimate rate reached			2006	2006

11. Endowments:

	2002	2001
Programs	\$ 6,260	\$ 6,260
St. Peter's Cathedral	1,000	1,000
St. Peter's Seminary	8,000	8,000
	\$ 15,260	\$ 15,260

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002

(in thousands of dollars)

11. Endowments (continued):

Endowments consist of externally restricted donations received by the Diocese of London from the Pentecost 2000 campaign. The endowment principal is to remain in perpetuity.

The Diocese of London has established a capital preservation policy, the aim of which is to protect the real value of these endowments by limiting the amount of income available for spending to 4.75% of the balance at the beginning of the year.

The investment returns generated by the endowment funds, net of amounts available for spending and net of investment management fees are allocated to these endowment funds and are included in internally restricted net assets.

12. Internally restricted:

	Programs	St. Peter's Cathedral	St. Peter's Seminary	Other	Sale of Property	Total
Balance December 31, 2001	\$ 1,383	\$ 293	\$ 991	\$ 9,012	\$ 2,543	\$ 14,222
Net investment returns	(195)	(32)	(240)	(229)	-	(696)
Allocation for spending	(369)	(59)	(389)	(429)	-	(1,246)
Activity in sale of property account	-	-	-	-	457	457
Balance December 31, 2002	\$ 819	\$ 202	\$ 362	\$ 8,354	\$ 3,000	\$ 12,737

	Programs	St. Peter's Cathedral	St. Peter's Seminary	Other	Sale of Property	Total
Balance December 31, 2000	\$ 1,759	\$ 293	\$ 991	\$ 9,453	\$ 2,072	\$ 14,568
Net investment returns	25	7	61	31	-	124
Allocation for spending	(401)	(7)	(61)	(472)	-	(941)
Activity in sale of property account	-	-	-	-	471	471
Balance December 31, 2001	\$ 1,383	\$ 293	\$ 991	\$ 9,012	\$ 2,543	\$ 14,222

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002
(in thousands of dollars)

13. Cemeteries:

There are 62 cemeteries operating throughout the Diocese. The results of these cemeteries are not included in these financial statements. Care and Maintenance Funds in respect of the cemeteries are administered by an independent trustee as required by the Ministry of Consumer and Commercial Relations of the Province of Ontario. Pursuant to the Cemeteries Act, these funds are held by the trustee in perpetuity and the investment income earned is applied to the care and maintenance of the cemeteries.

Pre-need funds are held to provide services at a future point in time.

The funds held by the independent trustee as at December 31 are as follows:

	2002	2001
Care and maintenance funds	\$ 21,632	\$ 19,427
Pre-need funds	5,263	3,999

14. Commitments:

(a) Guarantees:

The corporation has guaranteed loans totaling \$14,888 (2001 - \$14,274) for certain cemeteries and King's College.

(b) Sale and purchase of property:

On July 5, 2002 the Diocese agreed to transfer Regina Mundi College to the London District Catholic School Board in exchange for St. Peter's School site in London.

On August 30, 2002 the deed for St. Peter's School site was registered to the Diocese for consideration of \$2,650 to be satisfied by the transfer of Regina Mundi College. The purchase of St. Peter's School site has been recorded along with a liability to the London District Catholic School Board of \$2,650.

The City of London, Committee of Adjustment has authorized the severance of Regina Mundi College from the remaining Diocese landholding at the site, subject to a number of conditions.

As these conditions have not been satisfied, the sale of Regina Mundi College has not been recorded.

When these conditions are met and the deed is registered in the name of the London District Catholic School Board, the sale will be recorded resulting in a gain of \$2,650.

DIOCESE OF LONDON

Notes to Non-Consolidated Financial Statements (continued)

Year ended December 31, 2002
(in thousands of dollars)

15. Contingency:

The Diocese has a provision for pastoral expenses and professional fees including legal costs. These expense estimates have been reviewed and a provision has been reflected in the accompanying financial statements.

16. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

No. 25
SUPERIOR COURT OF JUSTICE QC
BAAA vs RCC et al
This Exhibit property of DEF
is produced by the PLAINTIFF
MMA 21 2011
A. O'Connell
AT LONDON