Consolidated Financial Statements of

THE SYNOD OF THE DIOCESE OF NIAGARA

Year ended December 31, 2015

KPMG

KPMG LLP
Box 976
21 King Street West Suite 700
Hamilton ON L8N 3R1

Telephone (905) 523-8200
Fax (905) 523-2222
www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Bishop and the Members of The Synod of the Diocese of Niagara

We have audited the accompanying consolidated financial statements of The Synod of the Diocese of Niagara, which comprise the consolidated statement of financial position as at December 31, 2015, the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, The Synod of the Diocese of Niagara derives revenue from 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 Synod of the Diocese of Niagara. Therefore, we were not able to determine whether any adjustments might be necessary to revenues, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2015, current assets as at December 31, 2015 and net assets as at January 1, 2015 and December 31, 2015.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Synod of the Diocese of Niagara as at December 31, 2015, and its consolidated results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada
June 7, 2016

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	$ 510,330	$ 378,134
Short-term investments	1,063,313	1,016,643
Restricted cash (note 2)	104,878	1,040,384
Due from parishes (note 3)	1,305,555	1,021,642
Other receivables	120,575	101,481
Prepaid expenses	52,204	23,727
Loans receivable (note 4)	788,931	653,787
	3,945,786	4,235,798
Investments (note 5)	2,946,625	2,354,325
Long-term receivables (note 6)	697,384	569,717
Capital assets (note 7)	951,944	650,191
Intangible assets (note 8)	-	23,217
	$ 8,541,739	$ 7,833,248
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness (note 9)	$ -	$ 467,397
Due to parishes	95,818	76,438
Accounts payable and accrued liabilities (note 10)	999,699	1,164,752
Bank loans - special purposes (note 11)	924,155	946,669
Current portion of obligation under capital lease	-	4,549
	2,019,672	2,659,805
Supplemental insurance reserve (note 12)	590,547	593,635
Long-term liabilities (note 13)	371,550	163,934
Obligation under capital lease	-	8,767
	2,981,769	3,426,141
Net assets:		
Invested in capital assets	951,944	673,408
Externally restricted (note 14(a))	1,910,544	1,361,631
Internally restricted (note 14(b))	3,108,121	3,220,368
General	(410,639)	(848,300)
	5,559,970	4,407,107
Contingencies (note 19)		
	$ 8,541,739	$ 7,833,248

See accompanying notes to consolidated financial statements.

On behalf of the Board:

_________________________ Director _________________________ Director

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Diocesan assessment	$ 2,998,129	$ 3,030,501
Administrative fees and rental income	299,105	279,330
Gifts and bequests	-	50,000
Bishop's Company revenue	60,952	75,244
Canterbury Hills (unrestricted)	302,872	442,844
Canterbury Hills (externally restricted)	12,291	33,470
Programs	36,083	49,385
Sundry	47,821	48,311
Interest income	40,151	29,419
Investment income	94,995	190,656
Insurance premiums from parishes	920,646	987,640
Parish wages	9,497,284	9,111,364
	14,310,329	14,328,164
Expenses:		
General and Provincial Synod:		
Commitments	675,630	670,643
Programs:		
Congregation support	31,723	40,856
Ministry support	57,640	58,334
Outreach	14,861	14,761
Operations:		
Diocesan staff	1,088,539	1,023,318
Office, building and committees	379,985	334,255
Building	316,224	348,879
Building wages	200,302	152,492
Other:		
Parish subsidies	508,481	496,566
Depreciation	94,299	127,401
Bad debts	(3,534)	58,544
Interest	696	1,851
Restricted fund expenses	117,363	123,594
Insurance	921,610	970,972
Parish wages	9,497,284	9,111,364
Bishop's Company expenses	57,871	65,362
Canterbury Hills (unrestricted)	362,760	728,839
Canterbury Hills (externally restricted)	30,497	55,851
Total expenses	14,352,231	14,383,882
Deficiency of revenue over expenses before the undernoted	(41,902)	(55,718)
Net proceeds on sale of properties (note 15)	1,169,824	231,426
Excess of revenue over expenses	$ 1,127,922	$ 175,708

See accompanying notes to consolidated financial statements.

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

	Invested in capital assets	Externally restricted	Internally restricted	General fund	Total 2015
Fund balance (deficit), beginning of year	$ 673,408	$ 1,361,631	$ 3,220,368	$ (848,300)	$ 4,407,107
Excess of revenue over expenses (expenses over revenue) for the year	(111,933)	559,983	-	679,872	1,127,922
Inter-fund transfers:					
Net change in invested in capital assets	390,469	-	-	(390,469)	-
Transfers between funds	-	(11,070)	(125,892)	136,962	-
Insurance fund	-	-	13,645	(13,645)	-
Employee future benefits (note 12)	-	-	-	24,941	24,941
Fund balance (deficit), end of year	$ 951,944	$ 1,910,544	$ 3,108,121	$ (410,639)	$ 5,559,970

	Invested in capital assets	Externally restricted	Internally restricted	General fund	Total 2014
Fund balance (deficit), beginning of year	$ 966,276	$ 1,326,713	$ 3,199,456	$ (1,214,881)	$ 4,277,564
Excess of revenue over expenses (expenses over revenue) for the year	(143,230)	18,354	-	300,584	175,708
Interfund transfers:					
Net change in invested in capital assets	(149,638)	-	-	149,638	-
Transfers between funds	-	16,564	(5,923)	(10,641)	-
Insurance fund	-	-	26,835	(26,835)	-
Employee future benefits (note 12)				(46,165)	(46,165)
Fund balance (deficit), end of year	$ 673,408	$ 1,361,631	$ 3,220,368	$ (848,300)	$ 4,407,107

See accompanying notes to consolidated financial statements.

46

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses for the year	$ 1,127,922	$ 175,708
Items not involving cash:		
Change in supplemental insurance liability	(3,083)	10,864
Actuarial gain on supplemental insurance liability	24,941	-
Depreciation	94,299	127,401
(Gain) loss on disposal of capital assets	3,121	(98,500)
Depreciation - Canterbury Hills	17,634	15,829
Change in non-cash operating working capital:		
Restricted cash	935,506	(11,729)
Due from parishes	(283,913)	(50,294)
Other receivables	(19,094)	73,765
Prepaid expenses	(28,477)	(4,345)
Due to parishes	19,380	(25,013)
Accounts payable and accrued liabilities	(165,053)	546,933
	1,723,183	760,619
Financing:		
Changes in long-term liabilities	207,616	(96,500)
Repayment of bank loans - special purposes	(22,514)	(69,555)
Issuance of bank loans - special purposes	-	(34,850)
Change in bank indebtedness	(467,397)	467,397
Increase in obligation under capital lease	-	15,773
Repayment of obligation under capital lease	(13,316)	(2,457)
	(295,611)	279,808
Investing:		
Purchase of capital assets	(375,536)	(139,187)
Purchase of capital assets, Canterbury Hills	(18,054)	-
Purchase of intangible assets	-	(12,675)
Proceeds on disposal of capital assets	-	400,000
Change in investments, net	(592,300)	(114,970)
Increase in short-term investments	(46,675)	(1,009,372)
Change in long-term receivable	(127,667)	16,998
Collection of loans receivable	6,850	66,393
Advances of loan receivable	(141,994)	(349,850)
	(1,295,376)	(1,142,663)
Net increase in cash	132,196	(102,236)
Cash, beginning of year	378,134	480,370
Cash, end of year	$ 510,330	$ 378,134

See accompanying notes to consolidated financial statements.

The Synod of the Diocese of Niagara (the "Diocese") is a Christian community of faith that geographically encompasses the area of the Niagara Peninsula, Greater Hamilton, the Region of Halton and portions of Wellington and Dufferin Counties, and which includes approximately 90 Anglican parishes (congregations). The governance of the Diocese is done through The Synod of the Diocese of Niagara which was incorporated by an act of the Provincial Government of Ontario, assented to on February 10, 1876 and is a registered charity under the Income Tax Act. The Synod is comprised of the Bishop, clergy and designated representatives from each parish. The Bishop is the Chief Officer of the Diocese and, as such, provides oversight for the clergy and parishes who comprise the Diocese.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit entities in Part III of the CPA Canada Handbook. These financial statements do not include the operations nor the assets and liabilities of the individual parishes.

From time to time, the Diocese assumes the management of the Church properties from parishes or congregations (former parish properties). This can occur when a church is closed; when a parish or congregation is disestablished or amalgamated with another parish or congregation; or, when the Diocesan Council deems such action necessary. If church properties are disposed of, the Diocese is responsible for any such resulting gain or loss.

These statements include the operations of Canterbury Hills. Canterbury Hills operates a summer camp during the summer months and provides conference services during the remainder of the year. The Camp and Conference Centre are located on Diocesan land and administrative and financial services are provided to Canterbury Hills by the Diocese.

(b) Fund accounting:

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

The General Fund reports revenues and expenses related to program delivery and administrative activities. All investment income is recorded in the General Fund.

The Restricted Funds report resources contributed for which the use is restricted by the donors or management.

1. **Significant accounting policies (continued):**

(c) Revenue recognition:

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

(d) 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. When a capital asset no longer contributes to the Diocese's ability to provide services, its carrying amount is written down to its residual value.

Land and buildings (churches, rectories, etc.), which are under the administration of the parishes, are not included in these financial statements.

Capital assets are amortized over the estimated useful lives of the assets on the straight-line basis at the following rates:

Asset	Basis
Buildings	10 to 40 years
Building improvements	5 to 10 years
Computer equipment	2 years
Furniture and fixtures	3 to 5 years
Vehicles	5 years
Website and computer software	2 years

1. Significant accounting policies (continued):

(e) Intangible assets:

Intangible assets are comprised of website design costs and computer software and are initially recognized and measured at cost. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Diocese's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Diocese's intention to complete the asset for use or for sale; the Diocese's ability to use or sell the asset; the adequacy of the Diocese's resources to complete the development; the Diocese's ability to measure reliably the expenditures during the development; and the Diocese's ability to demonstrate that the asset will generate future economic benefits. The assets are amortized over their useful lives unless the life is determined to be indefinite. Amortization of the website design costs is being recorded over a period of two years. The carrying value of an intangible asset which is subject to amortization is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount is not recoverable and exceeds its fair value. Impairment losses are not subsequently reversed.

(f) Supplemental insurance benefits:

The Diocese provides its active members and retirees with a life insurance benefit of $10,000 for active members and $8,000 for retirees. The Diocese maintains funds within their investments to fund the obligation. These funds are held by the Diocese and not as a segregated trust. As a result, these funds and the related investment income are not included in the actuarial valuation and subsequent extrapolations. Active clergy employees contribute at a rate of $6.67 and lay staff contribute at a rate of $2.50 to the fund per employee per pay cycle.

The Diocese accrues its obligation using the accrued benefit method. The measurement date of the obligation coincides with the year end of the Diocese. The most recent full actuarial valuation was December 31, 2012.

Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The accrued benefit obligation and current service costs for these plans are recognized using the accrued benefit method pro-rated on service, and income is charged with the cost of the benefits in the years in which the employees render the service which gives them the right to receive such benefits. Remeasurement and other items are recognized as a direct increase (decrease) in net assets and are not reclassified to the statement of operations in subsequent periods.

1. Significant accounting policies (continued):

(g) Contributed services:

Because of the difficulty in determining their fair value, contributed services are not recognized in these financial statements.

(h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Diocese has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Diocese determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Diocese expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(i) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amounts due from parishes, loans receivables, long-term receivables and obligations related to supplemental insurance benefits. Actual results could differ from those estimates.

2. Restricted cash:

Restricted cash consists of funds received on behalf of parishes and funds received for the direct benevolent work of the Bishop.

Included in accounts payable and accrued liabilities for the prior year is the balance of restricted cash that was received late in the year for a parish and was subsequently distributed in 2015.

3. Due from parishes:

Amounts receivable from parishes consist of:

	2015	2014
Payroll due from parishes	$ 310,578	$ 195,056
Diocesan Mission and Ministries	884,752	719,008
Other	240,125	150,615
Provision for doubtful accounts	(129,900)	(43,037)
	$ 1,305,555	$ 1,021,642

4. Loans receivable:

Loans receivable are comprised as follows:

(a) Employees:

Loans receivable from employees totalling $2,566 (2014 - $9,416) represent funds advanced to clergy and other employees at the Diocese. The loans are for terms not exceeding 48 months. Interest is charged at the quarterly prescribed rate as set by Canada Revenue Agency.

(b) Church extension:

Church extension loans totalling $786,365 (2014 - $644,371) represent funds loaned to parishes for land, buildings and additions. The Diocese has borrowed money that has been re-loaned to the parishes to finance these church extension projects.

5. Investments:

Investments are comprised as follows:

	2015	2014
Mutual and pooled funds	$ 2,946,049	$ 2,353,749
Shares	576	576
	$ 2,946,625	$ 2,354,325

Investments include $590,547 (2014 - $593,635) set aside to fund the supplemental insurance benefits (see note 12).

6. Long-term receivables:

Parish	2015	2014
Cathedral Place, Hamilton	$ 196,039	$ 196,039
Church of the Incarnation, Oakville	64,539	55,943
St. Luke, Hamilton	112,665	112,665
St. Paul, Jarvis	41,125	54,432
St. Barnabas, St. Catharines	87,162	87,162
All Saints, Ridgeway	37,500	43,000
All Saints, Hamilton	46,726	46,726
St. Matthias, Guelph	40,396	40,396
St. Luke, Palermo	20,215	20,215
St. John the Evangelist, Niagara Falls	51,017	-
Provision for doubtful accounts	-	(86,861)
Total	$ 697,384	$ 569,717

The amounts due from parishes are unsecured with no fixed terms of repayment and do not bear any interest.

7. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land				
Palermo	$ 718,372	$ -	$ 718,372	$ 366,005
Canterbury Hills	35,749	-	35,749	35,749
Buildings				
Leasehold improvements	1,465,546	1,390,282	75,264	90,951
Canterbury Hills	21,547	7,773	13,774	14,499
Building improvements	429,977	356,448	73,529	90,768
Computer equipment	217,027	216,168	859	2,870
Furniture and fixtures	199,709	165,312	34,397	45,266
Vehicles	15,370	15,370	-	4,083
	$ 3,103,297	$ 2,151,353	$ 951,944	$ 650,191

8. Intangible assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Website costs	$ 12,675	$ 12,675	$ -	$ 6,338
Software	62,868	62,868	-	16,879
	$ 75,543	$ 75,543	$ -	$ 23,217

9. Bank indebtedness:

The Diocese has a line of credit to a maximum of $1,500,000 (2014 - $1,500,000) for operating purposes. The operating loan is due on demand and bears interest at prime.

10. Accounts payable and accrued liabilities:

There are no government remittances payable included in accounts payable and accrued liabilities, which includes payroll related taxes, for 2015 (2014 - $nil).

11. Bank loans - special purposes:

	2015	2014
Loans obtained on behalf of parishes, due on demand, bearing interest at prime plus 0.25%, maturing from 2016 to 2028, with minimum annual repayments of $24,900	$ 25,103	$ 57,565
Loan obtained on behalf of parish, due on demand, bearing interest at prime plus 0.25%, maturing in 2019, with a minimum annual repayment of $54,000	128,696	223,037
Other special purpose loans for parish renovations and extensions, due on demand, bearing interest at prime plus 0.25%, with a minimum annual repayment of $115,000	770,356	580,903
Line of credit obtained on behalf of Canterbury Hills Camp and Conference Centre, due on demand, bearing interest at prime, with no minimum repayment, maximum limit of $125,000	-	85,164
	$ 924,155	$ 946,669

Principal repayments over the next five years are as follows:

2016	$ 193,900
2017	169,203
2018	169,000
2019	169,000
2020	169,000
Thereafter	54,052
	$ 924,155

12. Supplemental insurance benefits:

The Diocese self-insures certain life insurance benefits for current and retired employees. Current employees are entitled to $10,000 if actively employed at the time of death and retirees are entitled to $8,000 upon death. If a current employee leaves the Diocese before retirement their benefit is forfeited.

The Diocese measures its benefit obligation for accounting purposes based on the most recent actuarial valuation at December 31, 2015.

	2015	2014
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 593,635	$ 536,606
Actuarial gain (loss)	(24,941)	46,165
Interest costs	29,853	25,534
Current service costs	-	5,330
Benefit payments	(8,000)	(20,000)
Benefit obligation, end of year	$ 590,547	$ 593,635

13. Long-term liabilities:

These funds have historically been designated to the Residential Schools Healing Fund. In consultation with the Anglican Church of Canada, the Diocese has renewed its commitment to the work of truth, reconciliation and indigenous ministries and these funds will be directed to a fund designated for this purpose within the Diocese.

14. Restricted fund balances:

a) Major categories of fund balances with externally imposed restrictions are as follows:

	2015	2014
Theological education	$ 409,298	$ 411,898
Episcopal support	347,333	347,333
Other	373,439	373,439
Mission work	151,803	151,803
Youth and children's work	15,000	15,000
Bishop's Company	20,092	17,012
Canterbury Hills	593,579	45,146
	$ 1,910,544	$ 1,361,631

b) Major categories of fund balances with internally imposed restrictions are as follows:

	2015	2014
Canada Trust Company	$ -	$ 38,944
Canterbury Hills	-	54,269
Church insurance fund	150,577	136,933
Dorothy Elizabeth Roberts' estate	8,365	8,365
E. Ferres	7,115	7,115
Girls' Friendly Society / Holiday House fund	172,158	172,158
Investment review fund	38,744	38,744
Minnie Easter estate	41,356	44,056
New church development from parish proceeds	1,967,288	1,967,288
Other	16,625	22,208
Parish sale proceeds	694,893	719,288
Paul Austin Moore estate	6,000	6,000
William Aspel legacy fund	5,000	5,000
	$ 3,108,121	$ 3,220,368

15. Net proceeds on sale of properties:

Net proceeds on the sale of properties in 2015 includes proceeds from the sale of a portion of the land formerly known as Canterbury Hills Conference Centre. Funds were allocated in accordance with a motion passed by the Synod in 2015.

16. Parish funds:

From time to time, parishes deposit funds through the Diocese for investment purposes. The funds are not reflected in the financial statements of the Diocese. The capital and income earned thereon remain the property of the contributing parish. At December 31, 2015, the fair market value of the parish, Diocese, and Anglican Church Ministries Foundation funds invested through the Diocese amounted to $35,011,924 (2014 - $30,366,500).

17. Financial instruments:

(a) Currency risk:

The Diocese is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Diocese purchases investments denominated in foreign currencies. There has been no change to the risk exposure from 2014.

(b) Liquidity risk:

Liquidity risk is the risk that the Diocese will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Diocese manages its liquidity risk by monitoring its operating requirements. The Diocese prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from 2014.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Diocese is exposed to credit risk with respect to the amounts due from parishes, loans receivable, and long-term receivables. The Diocese assesses, on a continuous basis, these balances and provides for any amounts that are not collectible in the allowance for doubtful accounts. There has been no change to the risk exposure from 2014.

(d) Interest rate risk:

The Diocese's long-term debt has a variable interest rate based on prime. As a result, the Diocese is exposed to interest rate risk due to fluctuations in the prime rate. There has been no change to the risk exposure from 2014.

(e) Market risk:

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

The Diocese' investment activities involve investments in mutual funds which are monitored by an investment committee as well as management. There has been no change to the risk exposure from 2014.

18. Related party transactions:

The Diocese is affiliated with the Anglican Church Ministries Foundation (the "Foundation") by virtue of their joint control by the Synod Council. The Foundation was established to raise funds for the use of the Diocese and its Bishop in their mission work. The Foundation is incorporated by an act of the Provincial Government of Ontario, assented to on January 1, 1999 and is a registered charity under the Income Tax Act. At December 31, 2015, the Foundation held net assets in the amount of approximately $17.9 million (2014 - $17.4 million), the benefit of which will accrue to the Diocese and some of its affiliates in the future.

Investment administration fees of $20,000 (2014 - $15,000) were charged by the Diocese to the Foundation and have been included in Administrative fees and rental income on the Statement of Operations.

19. Contingencies:

The Diocese issues letters of guarantee through its financial institution to provide guarantees to certain parishes. Outstanding letters of guarantee amount to $ 247,977 (2014 - $247,977).

20. Comparative amounts:

The financial statements have been reclassified, where applicable, to conform to the presentation used in the current year. The changes do not affect prior year's earnings.