Consolidated Financial Statements of

THE SYNOD OF THE DIOCESE OF NIAGARA

Year ended December 31, 2018

KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

INDEPENDENT AUDITORS' REPORT

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

Qualified Opinion

We have audited the consolidated financial statements of The Synod of the Diocese of Niagara (the "Diocese"), which comprise:

- the consolidated statement of financial position as at end of December 31, 2018
- the consolidated statement of operations for the year then ended
- the consolidated statement of changes net assets for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "*Basis for Qualified Opinion"* section of our auditors' report the accompanying financial statements, present fairly, in all material respects, the consolidated financial position of the Diocese as at end of December 31, 2018, and its consolidated results of operations and its consolidated cash flows for the year then ended in accordance with Canadian Accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Diocese 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 Diocese. Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported in the statements of financial position as at end of December 31, 2018 and December 31, 2017

- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2018 and December 31, 2017
- the unrestricted net assets, at the beginning and end of the year, reported in the statements of changes in net assets for the years ended December 31, 2018 and December 31, 2017
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2018 and December 31, 2017

Our opinion on the consolidated financial statements for the year ended December 31, 2018 was qualified accordingly because of the possible effects of this limitation in scope.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"*Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*"** section of our auditors' report.

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Diocese'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 Diocese or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the consolidated 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 consolidated 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 Diocese'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 Diocese's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Diocese to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Hamilton, Canada

June 11, 2019

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 54,281	$ 724,175
Short-term investments	100,489	203,448
Restricted cash (note 2)	62,851	53,499
Amounts receivable (note 3)	892,141	925,020
Other receivables	165,247	173,571
Prepaid expenses	43,333	39,247
Loans receivable (note 4)	365,253	236,062
	1,683,595	2,355,022
Investments (note 5)	4,377,475	4,988,972
Long-term receivables (note 6)	1,030,242	931,856
Capital assets (note 7)	2,583,773	2,608,383
	$ 9,675,085	$ 10,884,233
Liabilities and Net Assets		
Current liabilities:		
Due to parishes	$ 86,097	$ 117,417
Accounts payable and accrued liabilities (note 8)	838,159	1,308,521
Bank loans - special purposes (note 9)	594,367	527,357
	1,518,623	1,953,295
Supplemental insurance reserve (note 10)	612,386	693,566
Long-term liabilities (note 11)	340,932	380,791
	2,471,941	3,027,652
Net assets:		
Invested in capital assets	2,583,773	2,608,383
Externally restricted (note 12(a))	1,970,507	1,970,281
Internally restricted (note 12(b))	4,013,865	4,081,295
General	(1,365,001)	(803,378)
	7,203,144	7,856,581
Contingencies (note 18)		
	$ 9,675,085	$ 10,884,233

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, 2018, with comparative information for 2017

	2018	2017
Revenue:		
Diocesan assessment	$ 3,010,180	$ 3,010,099
Administrative fees and rental income	330,612	301,181
Bishop's Company	64,480	73,458
Canterbury Hills (note 13)	487,612	465,935
Programs	10,254	42,528
Sundry	151,878	134,349
Interest income	36,223	35,490
Investment (loss) income	(72,697)	182,398
Insurance premiums from parishes	927,439	817,522
Parish payroll	8,974,510	8,958,947
	13,920,491	14,021,907
Expenses:		
General and Provincial Synod	684,184	671,642
Programs:		
Congregational support and development	26,903	32,840
Ministry support	75,651	81,639
Outreach support	1,487	48,227
Operations:		
Diocesan staff	1,510,514	1,343,234
Office administration, communication, and committees	399,022	428,330
Diocesan managed properties	275,874	227,179
Disestablished parish properties (note 14)	374,599	361,231
Property staff	221,854	210,447
Other:		
Parish subsidies	436,277	512,910
Depreciation	209,265	192,875
Bad debts	7,506	30,112
Interest	1,727	1,002
Grants and other expenses	31,382	216,550
Insurance	927,256	843,934
Parish payroll	8,974,510	8,958,947
Bishop's Company expenses	63,837	58,178
Canterbury Hills (note 13)	489,459	450,901
Total expenses	14,711,307	14,670,178
Deficiency of revenue over expenses before the undernoted	(790,816)	(648,271)
Gross proceeds on sale of properties (note 14)	-	520,066
Restricted gifts and bequests (note 15)	26,180	7,330
Excess of expenses over revenues	$ (764,636)	$ (120,875)

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, 2018, with comparative information for 2017

	Invested in capital assets	Externally restricted	Internally restricted	General fund	Total 2018
Fund balance (deficit), beginning of year	$ 2,608,383	$ 1,970,281	$ 4,081,295	$ (803,378)	$ 7,856,581
Excess of expenses over revenue	(209,265)	(369)	(35,922)	(519,080)	(764,636)
Inter-fund transfers:					
Net change in invested in capital assets	184,655	-	-	(184,655)	-
Transfers between funds	-	595	(39,526)	38,931	-
Insurance fund	-	-	8,018	(8,018)	-
Employee future benefits (note 10)	-	-	-	111,199	111,199
Fund balance (deficit), end of year	$ 2,583,773	$ 1,970,507	$ 4,013,865	$ (1,365,001)	$ 7,203,144

	Invested in capital assets	Externally restricted	Internally restricted	General fund	Total 2017
Fund balance (deficit), beginning of year	$ 2,826,640	$ 1,941,237	$ 4,082,471	$ (836,847)	$ 8,013,501
Excess of revenue over expenses for the year (expenses over revenue)	(192,875)	29,044	(320,235)	363,191	(120,875)
Inter-fund transfers:					
Net change in invested in capital assets	(48,438)	-	-	48,438	-
Transfers between funds	23,056	-	338,745	(361,801)	-
Insurance fund	-	-	(19,686)	19,686	-
Employee future benefits (note 10)	-	-	-	(36,045)	(36,045)
Fund balance (deficit), end of year	$ 2,608,383	$ 1,970,281	$ 4,081,295	$ (803,378)	$ 7,856,581

See accompanying notes to consolidated financial statements.

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess of expenses over revenues for the year	$ (764,636)	$ (120,875)
Items not involving cash:		
Change in supplemental insurance liability	(81,180)	57,510
Actuarial loss on supplemental insurance liability	111,199	(36,045)
Depreciation	190,160	177,330
Depreciation - Canterbury Hills	19,105	15,545
Change in non-cash operating working capital:		
Restricted cash	(9,352)	(5,625)
Amounts receivable	32,879	410,455
Other receivables	8,324	(26,763)
Prepaid expenses	(4,086)	19,723
Due to parishes	(31,320)	20,958
Accounts payable and accrued liabilities	(470,362)	4,020
	(999,269)	516,233
Financing:		
Changes in long-term liabilities	(39,859)	6,741
Advance (repayment) of bank loans - special purposes	67,010	(221,578)
	27,151	(214,837)
Investing:		
Purchase of capital assets	(166,763)	(52,331)
Purchase of capital assets, Canterbury Hills	(17,892)	(7,890)
Recovery of costs on capitalized assets (note 7)	-	108,660
Decrease (increase) in investments, net	611,497	(934,935)
Decrease in short-term investments	102,959	357,284
Increase in long-term receivables	(98,386)	(300,998)
(Advances) collection of loans receivable	(129,191)	143,588
	302,224	(686,622)
Decrease in cash	(669,894)	(385,226)
Cash, beginning of year	724,175	1,109,401
Cash, end of year	$ 54,281	$ 724,175

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 consolidated 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 consolidated 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 consolidated financial 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

1. Significant accounting policies (continued):

(e) 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, 2017.

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.

(f) Contributed services:

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

1. Significant accounting policies (continued):

(g) 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.

(h) Use of estimates:

The preparation of the consolidated 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 consolidated 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.

3. Amounts receivable:

Amounts receivable from parishes consist of:

		2018		2017
Diocesan Mission and Ministries due from parishes	$	794,097	$	766,059
Insurance		146,321		50,669
Payroll due from parishes		46,004		132,181
Other		35,619		106,011
Provision for doubtful accounts		(129,900)		(129,900)
	$	892,141	$	925,020

4. Loans receivable:

Loans receivable are comprised as follows:

(a) Employees:

Loans receivable from employees totaling $886 (2017 - $2,161) 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 totaling $364,367 (2017 - $233,901) 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:

	2018	2017
Mutual and pooled funds	$ 4,376,899	$ 4,988,396
Shares	576	576
	$ 4,377,475	$ 4,988,972

Investments include $612,386 (2017 - $693,566) set aside to fund the supplemental insurance benefits (see note 10).

6. Long-term receivables:

Parish	2018	2017
Parish operating debt:		
St. Luke, Hamilton	$ 200,515	$ 200,515
Cathedral Place, Hamilton	196,039	196,039
St. John's Rockwood	91,923	-
St. John the Evangelist, Niagara Falls	49,407	50,518
All Saints, Hamilton	112,298	109,800
St. Paul, Caledonia	26,062	1,037
All Saints, Ridgeway	10,500	19,000
St. Alban's, Grand Valley	8,256	8,616
St. Paul, Jarvis	7,964	18,894
Various disestablished parishes	58,413	46,617
	761,377	651,036
Parish mortgages and loans:		
St. Luke's Palermo	156,053	160,000
Church of the Incarnation, Oakville	102,812	100,820
Grace Church, St. Catharines	10,000	20,000
	268,865	280,820
Total	$ 1,030,242	$ 931,856

The amounts due from parishes are unsecured with no fixed terms of repayment and do not bear any interest with the exception of St. Luke's Palermo and Church of the Incarnation. St. Luke's Palermo is unsecured and bears interest at a 4% fixed rate with repayments of $967 per month due April 1, 2028. Church of the Incarnation is unsecured, has no fixed terms of repayment and bears interest at prime plus 0.25% charged monthly. Grace Church is unsecured, has no fixed terms of repayment and does not bear any interest.

7. Capital assets:

			2018
	Cost	Accumulated amortization	Net book value
Land			
Canterbury Hills	$ 35,749	$ -	$ 35,749
Buildings			
Palermo	2,496,163	248,447	2,247,716
Leasehold improvements	1,160,452	1,150,825	9,627
Canterbury Hills	463,243	392,471	70,772
Building improvements	666,538	462,905	203,633
Computer equipment	245,274	238,985	6,289
Furniture and fixtures	123,008	113,021	9,987
Vehicles	15,370	15,370	-
	$ 5,205,797	$ 2,622,024	$ 2,583,773

			2017
	Cost	Accumulated amortization	Net book value
Land			
Canterbury Hills	$ 35,749	$ -	$ 35,749
Buildings			
Palermo	2,472,785	123,639	2,349,146
Leasehold improvements	1,157,142	1,143,909	13,233
Canterbury Hills	445,349	373,365	71,984
Building improvements	532,835	419,233	113,602
Computer equipment	239,112	232,001	7,111
Furniture and fixtures	122,800	105,242	17,558
Vehicles	15,370	15,370	-
	$ 5,021,142	$ 2,412,759	$ 2,608,383

Included in Palermo is a cost recovery of $108,660 relating to construction costs incurred by the Diocese on behalf of and repaid by the long-term care centre on the premises, a contribution by the parish to the construction costs and hydro permit refunds.

8. Accounts payable and accrued liabilities:

There are no government remittances payable included in accounts payable and accrued liabilities, including payroll related taxes, for 2018 (2017 - $nil).

9. Bank loans - special purposes:

	2018	2017
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 $24,931	$ 174,978	$ 20,249
Loan obtained on behalf of parish, due on demand, bearing interest at prime plus 0.25%, maturing 2031, annual repayments of $25,296	189,389	207,108
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 $90,500	230,000	300,000
	$ 594,367	$ 527,357

Principal repayments over the next five years are as follows:

2019	$ 140,727
2020	140,727
2021	99,227
2022	50,227
Thereafter	163,459
	$ 594,367

10. 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, 2018.

		2018		2017
Change in benefit obligation:				
Benefit obligation, beginning of year	$	693,566	$	636,056
Actuarial (gain) loss		(111,199)		36,045
Interest costs		30,019		29,465
Benefit payments		-		(8,000)
Benefit obligation, end of year	$	612,386	$	693,566

11. Long-term liabilities:

Included in long-term liability is $299,146 relating 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. These funds are held in a Diocesan investment fund designated for this purpose.

12. Restricted fund balances:

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

	2018	2017
Theological education	$ 409,298	$ 409,298
Episcopal support	347,333	347,333
Other	373,438	373,439
Mission work	151,803	151,803
Youth and children's work	15,000	15,000
Bishop's Company	20,092	20,092
Canterbury Hills	653,543	653,316
	$ 1,970,507	$ 1,970,281

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

	2018	2017
New church development from parish proceeds	$ 2,235,560	$ 2,297,661
Parish sale proceeds	748,472	748,472
Residential schools fund	288,007	327,533
Closed parishes	271,885	271,885
Girls' Friendly Society / Holiday House fund	172,158	172,158
Church insurance fund	140,577	132,559
Minnie Easter estate	41,356	41,356
Investment review fund	38,744	38,744
Stephen Hopkins leadership fund	28,480	3,330
Other	16,626	16,597
Dorothy Elizabeth Roberts' estate	8,365	8,365
E. Ferres	7,115	7,115
Paul Austin Moore estate	6,000	6,000
Canon D. Ricketts bursary fund	5,000	4,000
William Aspel legacy fund	5,000	5,000
Canterbury Hills	520	520
	$ 4,013,865	$ 4,081,295

13. Canterbury Hills:

		2018		2017
Revenues:				
Canterbury Hills (unrestricted)	$	482,575	$	409,722
Canterbury Hills (externally restricted)		5,037		56,213
	$	487,612	$	465,935
Expenses:				
Canterbury Hills (unrestricted)	$	484,053	$	423,732
Canterbury Hills (externally restricted)		5,406		27,169
	$	489,459	$	450,901

14. Gross proceeds on sale of properties:

There were no properties were sold in 2018.

Gross proceeds on the sale of properties in 2017 includes proceeds from the sale of St. James Merritton parish. Accumulated costs associated with the sale of St. James Merritton amounted to $282,056 and is included in disestablished parish buildings in the Consolidated Statement of Operations comprising of the following:

St. James Merritton debt to the Diocese	$	243,197
St. James Merritton closing costs		38,859
Expenses incurred on other disestablished properties held		94,120
Recovery of prior year expenses		(14,945)
	$	361,231

15. Restricted gifts and bequests:

Restricted gifts in 2018 totaled $26,180 (2017 – $7,330). These relate to gifts to the Canon D. Ricketts Bursary fund and the Stephen Hopkins Leadership fund. The funds and held within the Diocesan investments.

16. Parish funds:

a) 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, 2018, the fair market value of the parish, Diocese, and Anglican Church Ministries Foundation funds invested through the Diocese amounted to $39,406,907 (2017 - $39,658,921).

b) The Diocese is affiliated with the Anglican Church Ministries Foundation (the "Foundation") by virtue of their joint control by 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, 2018, the Foundation held net assets in the amount of approximately $20.1 million (2017 - $20.1 million), the benefit of which will accrue to the Diocese and some of its affiliates in the future.

   Investment administration fees of $25,000 (2017 - $25,626) were charged by the Diocese to the Foundation and have been included in Administrative fees and rental income on the Statement of Operations.

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 2017.

(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 2017.

(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 2017.

17. Financial instruments (continued):

(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 2017.

(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's 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 2017.

18. Contingencies:

The Diocese issues letters of guarantee through its financial institution to provide guarantees to certain parishes. Outstanding letters of guarantee amount to $51,697 (2017 - 147,978).