

Financial Statements of

**ANGLICAN CHURCH MINISTRIES
FOUNDATION, NIAGARA**

Year ended December 31, 2012



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INDEPENDENT AUDITORS' REPORT

To the Bishop and Members of the Anglican Church Ministries Foundation, Niagara

We have audited the accompanying financial statements of the Anglican Church Ministries Foundation, Niagara, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Anglican Church Ministries Foundation, Niagara derives revenue from gifts and contributions, 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 Anglican Church Ministries Foundation, Niagara.



Therefore we were not able to determine whether, as at December 31, 2012, December 31, 2011, and January 1, 2011 and for the years ended December 31, 2012 and December 31, 2011, any adjustments might be necessary to gifts and contributions and excess of revenues over expenses reported in the statements of operations, excess of revenues over expenses reported in the statements of cash flows and current assets and fund balances reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Anglican Church Ministries Foundation, Niagara as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

September 10, 2013

Hamilton, Canada

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Financial Position

December 31, 2012

	General Fund	Restricted Fund	Endowment Fund	Total
Assets				
Current assets:				
Cash	\$ 50	\$ -	\$ -	\$ 50
Investments (note 2)	112,492	2,615	13,168,650	13,283,757
Rectory loans (note 3)	-	-	1,351,789	1,351,789
	<u>\$ 112,542</u>	<u>\$ 2,615</u>	<u>\$14,520,439</u>	<u>\$14,635,596</u>

Liabilities

Current liabilities:				
Accrued liabilities (note 5)	\$ 31,534	\$ -	\$ -	\$ 31,534

Fund Balances

Externally restricted (note 4)	-	(33,180)	14,520,439	14,487,259
Unrestricted	81,008	-	-	81,008
Internally restricted	-	35,795	-	35,795
	<u>81,008</u>	<u>2,615</u>	<u>14,520,439</u>	<u>14,604,062</u>
	<u>\$ 112,542</u>	<u>\$ 2,615</u>	<u>\$14,520,439</u>	<u>\$14,635,596</u>

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Financial Position

December 31, 2011

	General Fund	Restricted Fund	Endowment Fund	Total
Assets				
Current assets:				
Cash	\$ 50	\$ -	\$ -	\$ 50
Accounts receivable	-	22,490	-	22,490
	50	22,490	-	22,540
Investments (note 2)	71,379	(629,652)	12,436,696	11,878,423
Rectory loans (note 3)	-	-	1,379,904	1,379,904
	\$ 71,429	\$ (607,162)	\$13,816,600	\$13,280,867

Liabilities

Current liabilities:				
Accrued liabilities (note 5)	\$ 31,534	\$ -	\$ -	\$ 31,534

Fund Balances

Externally restricted (note 4)	-	(640,342)	13,816,600	13,176,258
Unrestricted	41,448	-	-	41,448
Internally restricted	(1,553)	33,180	-	31,627
	39,895	(607,162)	13,816,600	13,249,333
	\$ 71,429	\$ (607,162)	\$13,816,600	\$13,280,867

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Financial Position

January 1, 2011

	General Fund	Restricted Fund	Endowment Fund	2010
Assets				
Current assets:				
Cash	\$ 50	\$ -	\$ -	\$ 50
Investments (note 2)	35,334	(200,194)	11,386,453	11,221,593
Rectory loans (note 3)	-	-	1,630,668	1,630,668
	<u>\$ 35,384</u>	<u>\$ (200,194)</u>	<u>\$13,017,121</u>	<u>\$12,852,311</u>

Liabilities

Current liabilities:				
Accrued liabilities (note 5)	\$ 16,534	\$ -	\$ -	\$ 16,534

Fund Balances

Externally restricted (note 4)	-	(234,326)	13,017,121	12,782,795
Unrestricted	18,850	-	-	18,850
Internally restricted	-	34,132	-	34,132
	<u>18,850</u>	<u>(200,194)</u>	<u>13,017,121</u>	<u>12,835,777</u>
	<u>\$ 35,384</u>	<u>\$ (200,194)</u>	<u>\$13,017,121</u>	<u>\$12,852,311</u>

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Operations

Year ended December 31, 2012

	General Fund	Restricted Fund	Endowment Fund	Total
Revenues:				
Gifts and contributions	\$ -	\$ 3,020	\$ 711,580	\$ 714,600
Net investment income	7,345	996,208	-	1,003,553
Reimbursement of investment fee	81,063	-	-	81,063
	<u>88,408</u>	<u>999,228</u>	<u>711,580</u>	<u>1,799,216</u>
Expenses:				
Administration	38,594	-	-	38,594
Audit fee	8,701	-	-	8,701
Endowment grants to parishes	-	372,958	-	372,958
Other endowment grants	-	16,493	7,741	24,234
	<u>47,295</u>	<u>389,451</u>	<u>7,741</u>	<u>444,487</u>
Excess of revenues over expenses	\$ 41,113	\$ 609,777	\$ 703,839	\$ 1,354,729

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Operations

Year ended December 31, 2011

	General Fund	Restricted Fund	Endowment Fund	Total
Revenues:				
Gifts and contributions	\$ -	\$ 118,170	\$ 215,642	\$ 333,812
Sale of rectories	-	-	583,937	583,937
Net investment loss	(1,553)	(324,303)	-	(325,856)
Anglican Network in Canada recoveries	-	77,437	-	77,437
Reimbursement of investment fee	57,984	-	-	57,984
	56,431	(128,696)	799,579	727,314
Expenses:				
Administration	30,386	-	-	30,386
Audit fee	5,000	-	-	5,000
Endowment grants to parishes	-	245,827	100	245,927
Other endowment grants	-	32,445	-	32,445
	35,386	278,272	100	313,758
Excess of revenues over expenses	\$ 21,045	\$(406,968)	\$ 799,479	\$ 413,556

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Changes in Fund Balances

Year ended December 31, 2012 and 2011

December 31, 2012	General Fund	Restricted Fund	Endowment Fund	Total
Fund balances, beginning of year	\$ 39,895	\$ (607,162)	\$ 13,816,600	\$ 13,249,332
Excess of revenues over expenses	41,113	609,777	703,839	1,354,729
Fund balances, end of year	\$ 81,008	\$ 2,615	\$ 14,520,439	\$ 14,604,062

December 31, 2011	General Fund	Restricted Fund	Endowment Fund	Total
Fund balances, beginning of year	\$ 18,850	\$ (200,194)	\$ 13,017,121	\$ 12,835,777
Excess of revenues over expenses	21,045	(406,968)	799,479	413,556
Fund balances, end of year	\$ 39,895	\$ (607,162)	\$ 13,816,600	\$ 13,249,333

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Statement of Cash Flows

Years ended December 31, 2012 and December 31, 2011

	2012	2011
Operations:		
Excess of revenues for the year	\$ 1,354,729	\$ 413,556
Change in non-cash operating working capital:		
Increase in accrued liabilities	-	15,000
Decrease (increase) in accounts receivables	22,490	(22,490)
	<u>1,377,219</u>	<u>406,066</u>
Investing:		
Change in investments, net	(1,405,334)	(656,830)
Change in rectory loans, net	28,115	250,764
	<u>(1,377,219)</u>	<u>(406,066)</u>
Increase in cash	-	-
Cash, beginning of year	50	50
Cash, end of year	<u>\$ 50</u>	<u>\$ 50</u>

See accompanying notes to financial statements.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Notes to Financial Statements

Years ended December 31, 2012 and 2011

The Anglican Church Ministries Foundation, Niagara (the "Foundation") has been set up to receive and maintain a fund or funds and to apply all or part of the principal and income there from, from time to time, for charitable purposes, and in particular to assist The Synod of the Diocese of Niagara (the "Diocese"), in the Anglican Church of Canada, its Bishop or Archbishop: to preach, promote and advance the spiritual teachings of the Christian faith; and to support and maintain churches and the mission of the Church in order to propagate and express the Christian faith. The community of faith encompasses a large geographical area including the Niagara Peninsula, Greater Hamilton, the Region of Halton; Dufferin; Wellington and portions of Haldimand County. It was 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.

On January 1, 2012, the Foundation adopted Canadian Accounting Standards for Not-For-Profit organizations in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Foundation has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards.

No transitional adjustments were required to be recorded by the Foundation on adoption of Not-For-Profit Standards.

1. Significant accounting policies:

These financial statements have been prepared by management in accordance with Canadian Accounting Standards for Not-For-Profit entities, in Part III of the CICA Handbook. The significant accounting policies used are as follows:

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(a) Fund accounting:

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

The General Fund reports revenues and expenses related to program delivery and administrative activities.

The Restricted Fund reports resources contributed for which the use is restricted by the donors and do not form part of the Endowment Fund. It also reports the related investment income and disbursements of the Restricted Fund.

The Endowment Fund reports resources contributed with the stipulation that the capital amount be permanently retained. Investment income earned on the portion of the fund for which there are restrictions on the use is recorded in the Restricted Fund. Investment income earned on the portion of the fund for which there are no restrictions on the use is recorded in the General fund.

(b) Revenue recognition:

Restricted contributions, for which there is a restricted fund, are recognized as revenue in the year in which the funds are received. 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.

(c) 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 Foundation 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.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(c) Financial instruments (continued):

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 Foundation 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 Foundation 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.

(d) 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. Actual results could differ from those estimates.

2. Investments:

The market values of investments are as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Russell Canadian Equity Fund	\$ 3,981,517	\$ 3,473,620	\$ 3,544,320
Russell Canadian Fixed Income Fund	4,615,150	4,126,383	3,769,857
Russell US Equity Fund	1,997,176	1,852,873	1,709,655
Russell Overseas Equity Fund	2,017,795	1,815,603	1,623,165
Russell Global Equity Fund	672,119	609,944	574,596
	<u>\$ 13,283,757</u>	<u>11,878,423</u>	<u>\$11,221,593</u>

3. Rectory loans:

Rectory loans are due from several parishes, have no fixed terms of repayment and are non-interest bearing.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Endowments:

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

December 31, 2012	Restricted Fund	Endowment Fund	Total
Synod – Endowment Fund	\$ 37,698	\$ 483,060	\$ 520,758
Gerula Flower Memorial Fund	131	7,125	7,256
Bishop's Company Endowment	32,760	209,528	242,288
McMaster Campus Ministries Endowment Fund	12,888	77,602	90,490
Education and Training for Leadership in the Church	136,198	1,408,869	1,545,067
Outreach in the Name of Christ	69,088	729,318	798,406
St. George's, St. Catharine's Endowment Fund	85,565	1,004,667	1,090,232
Cathedral Place Endowment Fund	80,227	667,246	747,473
Cathedral Place Clayton/Atyeo	29,800	518,571	548,371
Charles and Bexcy Daw Endowment Fund	1,990	10,480	12,470
St. John's, Niagara Falls Endowment Fund	13,388	62,580	75,968
St. James, Dundas Endowment Fund	1,287	2,000	3,287
St. Jude's Foundation of Hope	3,433	87,500	90,933
Youth Worker	6,658	51,440	58,098
Rectory Funds	(544,291)	9,200,453	8,656,162
	\$ (33,180)	\$ 14,520,439	\$ 14,487,259

December 31, 2011	Restricted Fund	Endowment Fund	Total
Synod – Endowment Fund	\$ (3,556)	\$ 527,060	\$ 523,504
Gerula Flower Memorial Fund	(266)	7,125	6,859
Bishop's Company Endowment	15,011	209,528	224,539
McMaster Campus Ministries Endowment Fund	18,060	77,602	95,662
Education and Training for Leadership in the Church	25,623	1,379,535	1,405,158
Outreach in the Name of Christ	11,911	714,652	726,563
St. George's, St. Catharine's Endowment Fund	19,875	724,911	744,786
Cathedral Place Endowment Fund	24,614	638,524	663,138
Cathedral Place Clayton/Atyeo	6,249	144,650	150,899
Charles and Bexcy Daw Endowment Fund	1,079	10,480	11,599
St. John's, Niagara Falls Endowment Fund	7,839	62,580	70,419
St. James, Dundas Endowment Fund	1,047	2,000	3,047
St. Jude's Foundation of Hope	998	87,500	88,498
Youth Worker	49	30,000	30,049
Rectory Funds	(768,875)	9,200,453	8,431,578
	\$ (640,342)	\$ 13,816,600	\$ 13,176,258

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

4. Endowments (continued):

January 1, 2011	Restricted Fund	Endowment Fund	Total
Synod – Endowment Fund	\$ 11,464	\$ 527,060	\$ 538,524
Gerula Flower Memorial Fund	(43)	5,225	5,182
Bishop’s Company Endowment	17,393	209,528	226,921
McMaster Campus Ministries Endowment Fund	20,805	77,602	98,407
Education and Training for Leadership in the Church	65,883	1,379,535	1,445,418
Outreach in the Name of Christ	33,057	689,652	722,709
St. George’s, St. Catharine’s Endowment Fund	41,755	686,119	727,874
Cathedral Place Endowment Fund	45,015	521,674	566,689
Cathedral Place Clayton/Atyeo	15,725	144,650	160,375
Charles and Bexcy Daw Endowment Fund	4,411	7,480	11,891
St. John’s, Niagara Falls Endowment Fund	6,261	62,580	68,841
St. James, Dundas Endowment Fund	146	2,000	2,146
St. Jude’s Foundation of Hope	7,983	87,500	95,483
Youth Worker	-	-	-
Rectory Funds	(504,181)	8,616,516	8,112,335
	\$ (234,326)	\$ 13,017,121	\$ 12,782,795

5. Accrued liabilities:

Included in accrued liabilities are government remittances payable of \$nil (December 31, 2011 – \$nil).

6. Financial risks and concentration of credit risk:

(a) Currency risk:

The Foundation 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 Foundation purchases investments denominated in foreign currencies. There has been no change to the risk exposure from 2011.

(b) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2011.

ANGLICAN CHURCH MINISTRIES FOUNDATION, NIAGARA

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

7. Financial risks and concentration of credit risk (continued):

(c) Interest rate risk:

The Foundation is exposed to interest rate risk on its financial instruments.

8. Related party transactions:

The Foundation is affiliated with the Diocese by virtue of their joint control by the Synod Council.

Investment administration fees of \$15,000 (December 31, 2011 - \$10,000) were charged to the Foundation by the Diocese and have been included in Administration expenses on the Statement of Operations.