Consolidated Financial Statements of

THE SYNOD OF THE DIOCESE OF NIAGARA

And Independent Auditors' Report thereon

Year ended December 31, 2020

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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, 2020
- 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, 2020, 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, 2020
- the fundraising revenues and excess of revenues over expenses reported in the statements of operations for the years ended December 31, 2020
- 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, 2020
- the excess of revenues over expenses reported in the statements of cash flows for the years ended December 31, 2020

Our opinion on the consolidated financial statements for the year ended December 31, 2020 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.

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- 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 22, 2021

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Financial Position

December 31, 2020, with comparative information for 2019

	2020	2019
Assets		
Current assets:		
Cash (note 2)	$ 1,762,008	$ -
Short-term investments	16,441	16,150
Restricted cash (note 3)	83,566	51,365
Amounts receivable (note 4)	494,139	744,516
Other receivables	425,542	201,846
Prepaid expenses	63,075	89,899
Loans receivable (note 5)	469,083	351,713
	3,313,854	1,455,489
Investments (note 6)	5,294,360	4,887,798
Long-term receivables (note 7)	3,517,779	1,209,342
Capital assets (note 8)	2,315,448	2,477,325
	$ 14,441,441	$ 10,029,954
Liabilities and Net Assets		
Current liabilities:		
Bank Indebtedness (note 2)	$ -	$ 174,192
Deferred revenue	25,431	-
Due to parishes	27,483	27,289
Accounts payable and accrued liabilities (note 9)	1,345,916	945,295
Bank loans - special purposes (note 10)	398,552	511,713
	1,797,382	1,658,489
Supplemental insurance reserve (note 11)	756,875	699,467
Long-term liabilities (note 12)	246,281	313,694
	2,800,538	2,671,650
Net assets:		
Invested in capital assets	2,315,448	2,477,325
Externally restricted (note 13(a))	2,136,777	2,089,397
Internally restricted (note 13(b))	3,931,262	3,904,507
General	3,257,416	(1,112,925)
	11,640,903	7,358,304
Contingencies (note 18)		
Subsequent event (note 19)		
	$ 14,441,441	$ 10,029,954

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, 2020, with comparative information for 2019

	2020	2019
Revenue:		
Diocesan assessment	$ 2,569,605	$ 3,075,826
Administrative fees and rental income	474,931	423,352
Government grants (note 19)	531,760	-
Bishop's Company	51,365	64,568
Canterbury Hills (note 14)	233,920	635,749
Programs	750	28,804
Sundry	156,508	55,512
Interest income	6,355	29,252
Investment income (loss)	340,662	518,097
Insurance premiums from parishes	986,238	942,129
Parish payroll	8,936,009	8,915,026
	14,288,103	14,688,315
Expenses:		
General and Provincial Synod	677,757	689,538
Programs:		
Congregational support and development	50,546	34,115
Ministry support	35,412	76,555
Outreach support	26,952	4,272
Operations:		
Diocesan staff	1,582,945	1,519,056
Office administration, communication, and committees	340,622	413,356
Diocesan managed properties	405,918	450,301
Disestablished parish properties	199,647	42,991
Property staff	210,070	234,833
Other:		
Parish subsidies	221,084	314,318
Depreciation	215,606	219,391
Bad debts (recovery)	46,060	(1,987)
Interest	237	1,526
Grants issued	104,668	89,369
Insurance	1,004,881	954,931
Parish payroll	8,936,009	8,915,026
Bishop's Company expenses	39,001	73,511
Canterbury Hills (note 14)	169,981	471,641
Total expenses	14,267,396	14,502,743
Excess of revenue over expenses before the undernoted	20,707	185,572
Gross proceeds on sale of properties (note 15)	4,194,593	-
Restricted gifts and bequests (note 16)	129,335	44,544
Excess of revenues over expenses	$ 4,344,635	$ 230,116

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, 2020, with comparative information for 2019

	Invested in capital assets	Externally restricted	Internally restricted	General fund	Total 2020
Fund balance (deficit), beginning of year	$ 2,477,325	$ 2,089,397	$ 3,904,507	$ (1,112,925)	$ 7,358,304
Excess of (expenses over revenue) revenue over expense	(215,606)	58,686	37,031	4,464,524	4,344,635
Inter-fund transfers:					
Net change in invested in capital assets	53,729	-	-	(53,729)	-
Transfers between funds	-	(11,306)	-	11,306	-
Insurance fund	-	-	(10,276)	10,276	-
Employee future benefits (note 11)	-	-	-	(62,036)	(62,036)
Fund balance, end of year	$ 2,315,448	$ 2,136,777	$ 3,931,262	$ 3,257,416	$11,640,903

	Invested in capital assets	Externally restricted	Internally restricted	General fund	Total 2019
Fund balance (deficit), beginning of year	$ 2,583,773	$ 1,970,507	$ 4,013,865	$ (1,365,001)	$ 7,203,144
Excess of (expenses over revenue) revenue over expense	(219,391)	101,354	(44,825)	392,978	230,116
Inter-fund transfers:					
Net change in invested in capital assets	112,943	-	-	(112,943)	-
Transfers between funds	-	17,536	(59,716)	42,180	-
Insurance fund	-	-	(4,817)	4,817	-
Employee future benefits (note 11)	-	-	-	(74,956)	(74,956)
Fund balance (deficit), end of year	$ 2,477,325	$ 2,089,397	$ 3,904,507	$ (1,112,925)	$ 7,358,304

See accompanying notes to consolidated financial statements.

THE SYNOD OF THE DIOCESE OF NIAGARA

Consolidated Statement of Cash Flows

Year ended December 31, 2020, with comparative information for 2019

	2020	2019
Cash provided by (used in):		
Operations:		
Excess of revenues over expenses for the year	$ 4,344,635	$ 230,116
Items not involving cash:		
Change in supplemental insurance liability	57,408	87,081
Actuarial gain on supplemental insurance liability	(62,036)	(74,956)
Depreciation	187,876	188,330
Depreciation - Canterbury Hills	27,730	31,061
Increase in fair value of investments	(395,638)	(642,345)
Change in non-cash operating working capital:		
Deferred revenue	25,431	-
Restricted cash	(32,201)	11,486
Amounts receivable	250,377	147,625
Other receivables	(223,696)	(36,599)
Prepaid expenses	26,824	(46,566)
Due to parishes	194	(58,808)
Accounts payable and accrued liabilities	400,621	107,137
	4,607,525	(56,438)
Financing:		
Changes in long-term liabilities	(67,413)	(27,238)
Repayment of bank loans - special purposes	(113,161)	(82,654)
	(180,574)	(109,892)
Investing:		
Purchase of capital assets	(44,985)	(23,746)
Purchase of capital assets, Canterbury Hills	(8,744)	(89,197)
Investment contributions	(124,336)	(21,556)
Investment withdrawals	104,668	153,578
Realized gain on investments, Canterbury Hills	8,744	
Decrease in short-term investments	(291)	84,339
Increase in long-term receivables	(2,308,437)	(179,100)
(Advances) collection of loans receivable	(117,370)	13,540
	(2,490,751)	(62,142)
Increase (decrease) in cash	1,936,200	(228,472)
Cash, beginning of year	(174,192)	54,281
Cash, end of year	$ 1,762,008	$ (174,192)

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 Haldimand County and which includes approximately 80 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. If at the outset of the arrangement, the Diocese determines that collectability is not probable, the Diocese defers the revenue and recognizes the revenue when payment is received.

(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 to 3 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, 2018.

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.

(i) Cash, bank overdraft and short-term investments:

Cash and cash equivalents consist of cash, bank overdrafts and short-term investments in money market or other short term instruments with maturity of less than 90 days.

2. Cash and bank indebtedness:

The Diocese considers deposits in banks and certificates of deposit as cash. The bank indebtedness is a non-revolving demand line of credit with interest calculated at the Prime Rate less 0.25% per annum. Interest on this loan is payable monthly. The bank indebtedness balance as at December 31, 2020 is $nil (2019 - $676,085). The limit on the line of credit was $2,250,000 as at December 31, 2020. Cash and bank indebtedness included in the cash flow statement comprise the following balance sheet amounts:

	2020	2019
Cash on hand and balances with banks	$ 1,762,008	$ 501,893
Non-revolving demand line of credit	-	(676,085)
	$ 1,762,008	$ (174,192)

3. Restricted cash:

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

4. Amounts receivable:

Amounts receivable from parishes consist of:

	2020	2019
Diocesan Mission and Ministries due from parishes	$ 599,035	$ 692,278
Insurance	16,647	40,843
Payroll due from parishes	7,935	64,905
Other	422	76,390
Provision for doubtful accounts	(129,900)	(129,900)
	$ 494,139	$ 744,516

5. Loans receivable:

Loans receivable are comprised as follows:

(a) Emergency Loans:

Emergency loans totaling $150,531 (2019 - $nil) represent funds loaned to parishes for COVID-19 related expenses. Each parish can apply for a loan up to $10,000. Sixteen parishes have utilized this loan.

(b) Church extension:

Church extension loans totaling $308,552 (2019 - $351,713) 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.

6. Investments:

Investments are comprised as follows:

	2020	2019
Mutual and pooled funds	$ 5,294,380	$ 4,887,798

Investments include $756,875 (2019 - $699,467) set aside to fund the supplemental insurance benefits (see note 11).

7. Long-term receivables:

Parish		2020		2019
Parish operating debt:				
St. Luke, Hamilton	$	177,515	$	200,515
Cathedral Place, Hamilton		196,039		196,039
All Saints, Hamilton		45,511		112,298
St. John's Rockwood		87,941		87,941
Holy Trinity, Fonthill		67,196		71,196
St. Paul, Caledonia		73,220		51,267
St. John the Evangelist, Niagara Falls		70,691		49,407
Holy Trinity, Hamilton		29,191		46,191
Grace Church, Arthur		36,808		36,808
All Saints, Welland		29,567		16,055
St. Alban's, Grand Valley		3,076		3,076
Various disestablished parishes		24,905		80,009
		841,660		950,802
Parish mortgages and loans:				
St. Luke's Palermo		144,899		150,583
Church of the Incarnation, Oakville		81,220		102,957
Grace Church, St. Catharines		-		5,000
		226,119		258,540
Vendor take back mortgages:				
2601265 Ontario Inc.		1,700,000		-
2706703 Ontario Inc.		750,000		-
		2,450,000		-
Total	$	3,517,779	$	1,209,342

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.

2601265 Ontario Inc. is a mortgage that bears interest at a 3% fixed rate with no repayments until the maturity date of January 17, 2022.

2706703 Ontario Inc. is a mortgage that bears interest at a 3% fixed rate with interest only monthly repayments of $1,875 until June 20, 2022. Thereafter, the loan will bear interest at a 4% fixed rate with interest only monthly repayments of $2,500 until the maturity date of November 20, 2025.

8. Capital assets:

			2020
	Cost	Accumulated amortization	Net book value
Land			
Canterbury Hills	$ 35,749	$ -	$ 35,749
Buildings			
Palermo	2,496,163	498,064	1,998,099
Leasehold improvements	1,160,452	1,155,614	4,838
Canterbury Hills	561,186	451,261	109,925
Building improvements	703,561	545,208	158,353
Computer equipment	273,582	269,300	4,282
Furniture and fixtures	126,406	122,204	4,202
Vehicles	15,370	15,370	-
	$ 5,372,469	$ 3,057,021	$ 2,315,448

			2019
	Cost	Accumulated amortization	Net book value
Land			
Canterbury Hills	$ 35,749	$ -	$ 35,749
Buildings			
Palermo	2,496,163	373,256	2,122,907
Leasehold improvements	1,160,452	1,154,941	5,511
Canterbury Hills	552,440	423,531	128,909
Building improvements	667,136	504,906	162,230
Computer equipment	265,024	251,854	13,170
Furniture and fixtures	126,406	117,557	8,849
Vehicles	15,370	15,370	-
	$ 5,318,740	$ 2,841,415	$ 2,477,325

Included in Palermo is a cost recovery of $257,858 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.

9. Accounts payable and accrued liabilities:

There are no government remittances payable included in accounts payable and accrued liabilities, including payroll related taxes, for 2020 (2019 - $ nil).

10. Bank loans - special purposes:

	2020	2019
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	$ 157,052	$ 180,000
Loan obtained on behalf of parish, due on demand, bearing interest at prime plus 0.25%, maturing 2031, annual repayments of $25,296	151,500	171,713
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 $70,000	90,000	160,000
	$ 398,552	$ 511,713

Principal repayments over the next five years are as follows:

2021	$ 120,227
2022	70,227
2023	50,227
2024	50,227
Thereafter	107,644
	$ 398,552

11. 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. The obligation estimate is reviewed annually, and a full actuarial valuation is completed every three years.

	2020	2019
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 699,466	$ 612,386
Actuarial loss (gain)	62,036	74,956
Interest costs	27,373	28,125
Benefit payments	(32,000)	(16,000)
Benefit obligation, end of year	$ 756,875	$ 699,467

12. Long-term liabilities:

Included in long-term liability is $172,966 (2019 - $240,379) 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.

13. Restricted fund balances:

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

	2020	2019
Theological education	$ 409,298	$ 409,298
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
Canterbury Hills	839,904	792,524
	$ 2,136,777	$ 2,089,397

These fund balances represent the value of funds received less drawings over time.

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

	2020	2019
New church development from parish proceeds	$ 2,166,936	$ 2,171,190
Parish sale proceeds	748,472	748,472
Residential schools fund	199,268	266,681
Closed parishes	258,556	246,885
Girls’ Friendly Society / Holiday House fund	172,158	172,158
Church insurance fund	125,483	135,760
Minnie Easter estate	41,356	41,356
Investment review fund	38,744	38,744
Stephen Hopkins leadership fund	117,299	33,635
Other	16,626	16,626
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	7,000	6,000
William Aspel legacy fund	5,000	5,000
Canterbury Hills	520	520
Bishop’s Company	12,364	-
	$ 3,931,262	$ 3,904,507

The use of these funds is governed by the restrictions set by the donee, as applicable.

14. Canterbury Hills:

		2020		2019
Revenues:				
Canterbury Hills (unrestricted)	$	175,234	$	534,395
Canterbury Hills (externally restricted)		58,686		101,354
	$	233,920	$	635,749
Expenses:				
Canterbury Hills (unrestricted)	$	169,981	$	471,641
Canterbury Hills (externally restricted)		-		-
	$	169,981	$	471,641

15. Gross proceeds on sale of properties:

Gross proceeds on the sale of properties in 2020 includes proceeds from the sale of Speedvale Avenue East, Guelph, Main Street North, Grand Valley - Parking Lot, Main Street North, Grand Valley – Parish, Grantham Avenue, St. Catharines as well as the Dundas Street West, Oakville - Road Allowance (2019- no sales).

		2020		2019
Speedvale Avenue East, Guelph	$	2,200,143	$	-
Main Street North, Grand Valley - Parking Lot		75,000		-
Main Street North, Grand Valley – Parish		375,000		-
Grantham Avenue, St. Catharines		1,500,000		-
Dundas Street West, Oakville -Road Allowance		44,450		-
	$	4,194,593	$	-

16. Restricted gifts and bequests:

Restricted gifts in 2020 totaled $129,355 (2019 - $44,544) which consists of donation of $84,665 and unrealized investment income of $44,670. These relate to gifts to the Canon D. Ricketts Bursary fund and the Stephen Hopkins Leadership fund. The funds are 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, 2020, the fair market value of the parish, Diocese, and Anglican Church Ministries Foundation funds invested through the Diocese amounted to $47,321,828 (2019 - $44,501,026).

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, 2020, the Foundation held net assets in the amount of approximately $24.7 million (2019 - $22.4 million), the benefit of which will accrue to the Diocese and some of its affiliates in the future.

   Investment administration fees of $25,000 (2019 - $25,000) 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 2019.

(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 2019.

(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 2019.

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 2019.

(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 2019.

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 (2019 - $51,697).

19. COVID-19:

On March 11, 2020 COVID-19 was declared a pandemic which has resulted in governments worldwide, including the Canadian and Ontario governments, enacting emergency measures to combat the spread of the virus. These measures have caused material disruption to businesses globally and in Ontario resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions however the success of these interventions is not currently determinable. The current challenging economic climate may lead to adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Diocese's operating results and financial position in the future. Specific to the Diocese, there is a risk pertaining to defaults on Parish loans and permanent and adverse effects of the stock market negatively impacting the fair value of the investments. The situation is dynamic and the ultimate duration and magnitude of the impact on the economy and our business are not known at this time. At the auditors report date, investment values have returned to pre-COVID-19 levels. The Diocese experienced a reduction of revenues as a result COVID-19 by making the Diocesan assessment from April 2020 through to September 2020 a voluntary payment. The line of credit was increased by $750,000 through to December 2020 and the Diocese sold some vacant properties for additional funding. The Government of Canada has introduced measures to support organizations experiencing financial challenges resulting from the COVID-19 pandemic and to support employment and rent. As at December 31, 2020, the Diocese assessed its eligibility related to the Canada Emergency Wage Subsidy ("CEWS") and recorded the expected recoverable amount as income. The Diocese recognized $531,760 from CEWS.