

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
FINANCIAL STATEMENTS
DECEMBER 31, 2014

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THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED BALANCE SHEET

AS AT DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>ASSETS</u>		
Cash	4,068,828	3,476,416
Investments (Note 2)	7,641,722	6,938,549
Accounts receivable	319,063	385,660
Capital assets (Note 3)	<u>10,077,210</u>	<u>10,368,363</u>
	<u>22,106,823</u>	<u>21,168,988</u>
 <u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts payable and accrued liabilities	204,172	235,402
Loans payable	92,400	114,387
Reserve fund (Note 2)	240,913	209,689
Long term indebtedness (Note 5)	1,148,630	1,546,119
Deferred revenue (Note 2)	<u>2,273,154</u>	<u>2,395,296</u>
	<u>3,959,269</u>	<u>4,500,893</u>
NET ASSETS		
Unrestricted	8,849,248	7,570,513
Restricted (Note 2)	2,142,880	2,170,634
Investment of capital assets	<u>7,155,426</u>	<u>6,926,948</u>
	<u>18,147,554</u>	<u>16,668,095</u>
	<u>22,106,823</u>	<u>21,168,988</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
<u>UNRESTRICTED</u>		
Balance - beginning of year	7,570,513	6,930,825
Excess of revenue over expenditures for the year	1,646,253	1,166,659
Long term debt repayment	(397,489)	(526,971)
Recovery of carrying value of capital assets sold during the year	<u>29,971</u>	<u>-</u>
Balance - end of year	<u><u>8,849,248</u></u>	<u><u>7,570,513</u></u>
<u>INVESTMENT IN CAPITAL ASSETS</u>		
Balance - beginning of year	6,926,948	6,548,839
Excess of (expenditure over revenues) for the year	(139,040)	(148,862)
Long term debt repayment	397,489	526,971
Carrying value of capital assets sold during the year	<u>(29,971)</u>	<u>-</u>
Balance - end of year	<u><u>7,155,426</u></u>	<u><u>6,926,948</u></u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
REVENUE		
Church receipts		
Offertory	5,822,918	5,708,441
Other	2,415,030	2,726,085
Special diocesan collections	367,516	506,047
Diocesan debt appeal	65,461	45,280
Health benefit surplus allocation (Note 8)	225,108	-
Rentals and advertising revenue	141,696	142,573
Deferred revenue (Note 2)	122,142	129,011
Investment income	467,855	357,771
Gain on sale of capital assets	200,257	-
	<u>9,827,983</u>	<u>9,615,208</u>
EXPENSE		
Payroll costs	3,142,902	3,173,759
Clergy special assistance	41,507	59,322
Retirement benefits	510,091	495,808
Special diocesan collections disbursed	185,955	324,344
Property operating costs	3,646,686	3,422,048
Chancery office expense	30,601	20,879
Marriage tribunal	48,338	41,166
Youth and evangelization	273,408	225,451
Seminarian education costs	6,428	7,833
Professional fees	19,584	13,050
Charity	36,289	40,474
Other	33,565	39,695
Interest and bank charges	84,234	94,903
Depreciation	261,182	277,873
	<u>8,320,770</u>	<u>8,236,605</u>
EXCESS OF REVENUES OVER EXPENSES BEFORE TRANSFERS	1,507,213	1,378,603
TRANSFER TO RESTRICTED FUNDS (Note 2)	<u>-</u>	<u>360,806</u>
EXCESS OF REVENUES OVER EXPENSES FOR THE YEAR	<u>1,507,213</u>	<u>1,017,797</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>2014</u>	<u>2013</u>
	\$	\$
CASH GENERATED FROM CURRENT OPERATIONS:		
Excess of revenue over expenses for the year	1,507,213	1,017,797
Add (deduct) items not involving an outlay of cash:		
Transfer to restricted funds (Note 2)	-	360,806
Amortization of capital assets	261,182	277,873
Net book value of capital assets sold	29,971	-
Amortization of deferred revenue	<u>(122,142)</u>	<u>(129,011)</u>
	<u>1,676,224</u>	<u>1,527,465</u>
CHANGES IN NON-CASH WORKING CAPITAL		
Accounts receivable	66,597	(95,290)
Accounts payable and accrued liabilities	(31,230)	16,002
Loans payable	<u>(21,987)</u>	<u>459</u>
	<u>13,380</u>	<u>(78,829)</u>
	<u>1,689,604</u>	<u>1,448,636</u>
FINANCING AND INVESTMENT ACTIVITIES		
(Repayment of) long term indebtedness	(397,489)	(526,971)
Net change in investments	(703,173)	(1,505,163)
Restricted funds disbursed (Note 2)	(27,754)	(140,704)
Net change in reserve fund (Note 2)	<u>31,224</u>	<u>40,621</u>
	<u>(1,097,192)</u>	<u>(2,132,217)</u>
INCREASE IN CASH DURING THE YEAR	592,412	(683,581)
CASH, JANUARY 1	<u>3,476,416</u>	<u>4,159,997</u>
CASH, DECEMBER 31	<u>4,068,828</u>	<u>3,476,416</u>

See accompanying notes to unaudited financial statements.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

1. NATURE OF OPERATIONS

Purpose and community of service

The Roman Catholic Episcopal Corporation for the Diocese of Peterborough, in Ontario, Canada, is incorporated under the laws of the Province of Ontario. The corporation undertakes religious and charitable work within the Roman Catholic Diocese of Peterborough.

The corporation has the status of a non-profit organization and, accordingly, is not subject to corporation taxes.

Basis of presentation

The balance sheet, statements of changes in net assets, operations, and cash flows have been prepared by combining the accounts of the Parish Funds sector and the Diocesan Funds sector. The Diocesan Funds sector accounts are maintained at the chancery office, while the Parish Funds sector are maintained in the forty parishes in the diocese. Each parish is required to submit to the chancery office annual reports of receipts and payments and assets and liabilities. These reports, generally prepared on a cash basis, are used to prepare the Parish Funds sector for these financial statements.

Certain parishes have loaned funds, in the amount of \$5,408,771 as at December 31, 2014 (\$5,067,547 - 2013), to the chancery office on which interest is being paid. In turn the chancery office loans funds, in the amount of \$640,212 as at December 31, 2014 (\$705,287 - 2013) to parishes, to assist in building projects, on which interest is being paid. These transactions are eliminated on the consolidation of the Diocesan and Parish sectors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the corporation in the preparation of these financial statements are as follows:

Investments

Investments are recorded at fair market value.

Capital Assets

Capital assets are recorded at cost if acquired after January 1, 1995. Buildings and equipment acquired prior to January 1, 1995 are recorded at insured, replacement value and are recorded as fully depreciated. Depreciation on assets acquired after January 1, 1995 is provided at rates calculated to write-off the assets over a reasonable estimate of their useful lives as follows:

Buildings - 5 % diminishing balance
 Furniture and equipment - 15 % diminishing balance

Land acquired prior to January 1, 1995 is recorded at its estimated fair market value at that date. Net land additions subsequent to that date are recorded at cost of \$218,519.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

Contributed Services

Donations in kind of property, material and services are not reflected in these financial statements.

Revenue Recognition and Deferred Revenue

One of the capital assets of the corporation is a life lease community project in Lindsay, Ontario known as Guy Mills Court which consists of thirty-three units which provides residents an exclusive right to occupy housing units for life in consideration for a lump sum payment and monthly fees.

The corporation follows the deferred method of accounting for resident prepayments. Life lease prepayments received are deferred and amortized to income on the same basis that the related capital assets are amortized.

Reserve Fund

A reserve fund has been established to fund major capital repairs at the life lease community project in Lindsay, Ontario known as Guy Mills Court.

During the year, resident contributions to the fund were \$39,768, investment income was \$3,208, there were \$11,752 in capital repairs and expenses funded during the year.

Restricted Funds

- i) During a previous fiscal year a charitable remainder trust was established by a parishioner for the beautification, improvements and maintenance of a particular church.

The total amount of funds received amounted to \$306,234. Funds expended during 2013 amounted to \$54,070, and \$10,896 in 2014, reducing the balance of restricted funds to \$241,268.
- ii) During 2013 a bequest was received in the amount of \$300,000 for maintenance and improvements for a particular church and rectory. Funds expended during 2013 amounted to \$11,102, and \$16,858 in 2014 reducing the balance of restricted funds to \$272,040.
- iii) Funds were received in 2002 with the restriction that they be used for the benefit of a particular parish or its successor so as to assist with its continued existence and in meeting its long term financial needs. The unexpended balance of the funds received at December 31, 2013 was \$300,000. No funds were expended during the year resulting in no change in the balance of restricted funds of \$300,000 at December 31, 2014.
- iv) Included in investments are funds in the amount of \$1,079,572 received in prior years from a bequest for the establishment of a Diocese of Peterborough seminarian fund for the education of priests.
- v) Included in investments are funds in the amount of \$250,000, received in a prior year with the stipulation that for twenty five years the net income be used to finance education of a seminarian from the Diocese of Peterborough.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

3. CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
	\$	\$
Cost		
Land	5,431,916	5,461,887
Buildings	72,516,713	72,699,526
Furniture and equipment	<u>7,069,786</u>	<u>7,071,786</u>
	85,018,415	85,233,199
Accumulated depreciation	<u>74,941,205</u>	<u>74,864,836</u>
Net book value	<u>10,077,210</u>	<u>10,368,363</u>

According to the accounting policy of the corporation, when land was acquired prior to January 1, 1995, it was set up at fair market value.

4. BANK INDEBTEDNESS

The corporation finances its operations through an agreement with the Royal Bank of Canada. The credit facilities consist of the following:

- i) a demand operating line of credit in the amount of \$400,000 to finance current operating expenditures.
- ii) As security for any bank indebtedness, the corporation has executed a general security agreement and the demand debenture has been amended to \$2,400,000 collaterally secured by a mortgage against the Bishop's residence.

Subsequent to the year end the prime rate bank loan was paid off. The balance of the 2.8% fixed rate term loan on maturity was renegotiated into a variable rate term loan of \$85,242 due May 26, 2016, repayable interest only at Royal Bank Prime plus .50%.

5. LONG TERM INDEBTEDNESS

	<u>2014</u>	<u>2013</u>
	\$	\$
Royal Bank of Canada (Note 4)		
Prime rate bank loan due April 25, 2015	25,274	62,197
4.20% fixed rate term loan, due April 25, 2014	-	490,440
2.80% fixed rate term loan, due April 25, 2015	164,021	-
4.80% fixed rate term loan, due April 25, 2016	<u>459,335</u>	<u>493,482</u>
	648,630	1,046,119
Non-interest bearing loan	<u>500,000</u>	<u>500,000</u>
Long term indebtedness	<u>1,148,630</u>	<u>1,546,119</u>

THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
NOTES TO UNAUDITED FINANCIAL STATEMENTS

DECEMBER 31, 2014

The Royal Bank of Canada loans are secured by a collateral mortgage of \$4,500,000 on six properties and are repayable in blended monthly instalments of principal and interest in the amount of \$30,000 in total until May 25, 2015 when the monthly payment was reduced to \$4,766.

The long term indebtedness has principal repayable as follows:

2015	\$ 725,226
2016	<u>423,404</u>
	<u>\$ 1,148,630</u>

6. LEGAL CLAIMS

The corporation has been named in lawsuits that are being defended through the corporation's legal counsel and the corporation's insurers and their legal counsel. The likelihood of loss and the amount of any possible loss cannot be determined at this time. No amount has been accrued in these financial statements in respect of such proceedings.

7. RETIREMENT BENEFITS

The corporation provides post retirement benefits to clergy.

To date these amounts have been paid from current operations. There has been no actuarial valuation to determine the accrued clergy retirement obligations in respect of past services for presently retired priests and priests actively serving in the diocese.

It is anticipated that the amount, when determined, will be significant and material to the financial position of the corporation.

The corporation provides retirement benefits for 16 lay employees of the Diocese through a defined contribution plan. The cost for the current year is \$25,408 (2013 - \$28,067).

8. HEALTH BENEFIT FUND SURPLUS ALLOCATION

During the year the Corporation received a surplus allocation of \$225,108 from the Health Benefit Fund account of the Ontario Conference of Catholic Bishops, of which the Corporation is a member. The surplus allocation covered the period from 2000 to August 2013 inclusive.

**THE ROMAN CATHOLIC EPISCOPAL CORPORATION
FOR THE DIOCESE OF PETERBOROUGH, IN ONTARIO, CANADA
UNAUDITED SCHEDULE OF PARISH AND DIOCESAN OPERATIONS**

FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>PARISHES</u>	<u>CHANCERY</u>	<u>RETIREMENT</u>	<u>CONSOLIDATION</u>	<u>TOTAL</u>
	\$	\$	\$	\$	\$
REVENUE					
Church receipts	5,822,918				5,822,918
Offeritory	2,172,399	97,699	144,932	-	2,415,030
Other	(1,259,007)	892,631	366,376	-	-
Cathedralricum	207,813	167,573	159,503	(167,373)	367,516
Special diocesan collections	65,461	65,461	-	(65,461)	65,461
Diocesan debt appeal	125,241	57,779	42,088	-	225,108
Health benefits surplus allocation (Note 8)	141,696	-	-	-	141,696
Rental and advertising revenue	122,142	-	-	-	122,142
Amortization of deferred revenue (Note 2)	153,018	208,379	271,064	(164,606)	467,855
Investment income (Note 1)	200,257	-	-	-	200,257
Gain on sale of capital assets	7,751,938	1,489,522	983,963	(397,440)	9,827,983
	<u>2,814,556</u>	<u>328,346</u>	<u>510,091</u>	<u>(232,834)</u>	<u>3,142,902</u>
EXPENSE					
Payroll costs	-	41,507	-	-	41,507
Clergy special assistance	-	-	-	-	510,091
Retirement benefits	232,834	185,955	-	-	185,955
Special diocesan collections disbursed	3,603,780	42,906	-	-	3,646,686
Property operating costs	-	30,601	-	-	30,601
Chancery office expense	-	48,338	-	-	48,338
Marriage tribunal	125,242	148,166	-	-	273,408
Youth and evangelization	-	6,428	-	-	6,428
Seminarian education costs	5,182	14,402	-	-	19,584
Professional fees	32,853	3,436	-	-	36,289
Charity	23,922	9,643	-	-	33,565
Other	46,256	202,584	-	(164,606)	84,234
Interest and bank charges (note 1)	260,368	814	-	-	261,182
Depreciation	7,144,993	1,063,126	510,091	(397,440)	8,320,770
	<u>606,945</u>	<u>426,396</u>	<u>473,872</u>	<u>-</u>	<u>1,507,213</u>
EXCESS OF REVENUES OVER EXPENSES					
FOR THE YEAR					

See accompanying notes to unaudited financial statements.