

## REPORT OF FINANCIAL MANAGEMENT COMMITTEE (FMC)

This report covers the period from 2016 General Synod to May 2019

### 1. The Committee's Role and Mandate

The role of Financial Management Committee is advisory to the Council of the General Synod and the committee is accountable to the General Synod through the Council of the General Synod (CoGS). The primary roles of the Committee are to direct, oversee and supervise the management of the finances of the General Synod. Working closely with CoGS and members of General Synod's Management Team, especially the Treasurer, the Committee paid particular attention to the following:

- Regular monitoring of actual financial performance against planned financial performance;
- Third quarter review of forecast revenue and expenses as compared to full year budget;
- Setting guidelines for the preparation of budgets, and review of detailed annual budgets and multi-year financial plans prior to the presentation of the budget to CoGS;
- Consideration of the availability of resources for the Council of the North and other national ministries;
- The work of General Synod's Audit Committee;
- The work of the Drayton Grants Sub-committee, which provides grants to active and retired clergy for significant expenses often related to health and education costs;
- The work of the Investment Sub-committee, with a particular focus on the performance of General Synod's investment portfolio;
- The terms of reference of the Ministry Investment Fund;
- Review of the Committee's own mandate;
- Trends and issues that will influence General Synod's long term sustainability; and,
- Various policy items recommended to the Council of the General Synod.

The Committee met three times in person and four times by telephone. The environment during the triennium was characterized by significant external and internal change. The finances of the General Synod were remarkably stable during the triennium given continuing gradual demographic shifts across the country, significant challenges within the world wide Anglican Communion, and challenges across the Canadian church national. The requirements of the committee's work were influenced by these factors, along with staff and leadership changes within General Synod. The wise and dedicated counsel of every committee member remained faithful to a set of guiding principles developed early in the triennium. Our work was carried out consistently in a spirit of hope, commitment, generosity of spirit and unwavering dedication.

### 2. Financial Management

The Committee regularly reviewed performance of revenue and expenses against budget. Direction was provided by CoGS in November 2008, to eliminate deficit budgeting immediately and to reduce dependence on undesignated bequests to zero by 2012. Measures were implemented during the 2007 - 2010 triennium to respond to the reality of long-term trends of gradually decreasing diocesan giving; regrettably this included reduction of programs and staff positions.

Annual balanced budgets during the current triennium were achieved by the deliberate reduction and elimination of certain expenses, non-replacement of some staff positions following resignations or retirement, as well as the generous and ongoing commitment of proportional gifts from dioceses to General Synod. Diocesan financial realities towards the end of the current triennium foreshadow reductions in proportional gifts in the coming triennium. The committee is mindful of changing demographic patterns which will likely affect diocesan proportional gifts.

### **3. Other Work**

The Committee was engaged in other pieces of work.

#### **3.1 National Insurance Program**

General Synod sponsors the National Insurance Program. Participation includes 17 dioceses, General Synod and the Anglican Foundation. Insurance coverage includes property, commercial general liability, crime, directors and officers, physical and sexual abuse, and boiler and machinery. Umbrella coverage is available for participants who wish to have it.

It is best practice that services are put to tender from time to time. The program was formally marketed by the broker AON in 2018 for the 2019 renewal. The previous formal marketing exercise was done in 2015. The incumbent insurer Ecclesiastical was re-affirmed at the conclusion of the 2018 marketing process.

#### **3.2 Finance Officers Conference**

A Finance Officers Conference was held in November 2018. Finance Officers meet once every triennium to get to know their colleagues across the Church National, learn about topical finance matters both from each other and from guest speakers. Travel costs are shared by those attending through a travel pool, and General Synod pays for meals and accommodations. Members of FMC are invited to share in the organization of the conference and to participate in planning of agenda.

### **4. Committee Assignments**

Most members of FMC served on various sub-committees.

#### **4.1 Audit Committee**

The role of Audit Committee is advisory in nature and members are appointed by CoGS. Audit Committee advises CoGS on all matters related to the annual audited financial statements of General Synod entities.

Audit Committee was composed of five members, four external to FMC. FMC was extremely fortunate and grateful to have Archbishop Colin Johnson chair the Audit Committee for the triennium. James Sweeny, a member of FMC, contributed substantially to the work of the committee. The other three members rounding out the committee are well-respected retired partners of chartered professional accountancy firms.

Audit Committee received, reviewed and recommended for approval the audited financial statements of the General Synod of the Anglican Church of Canada, the Anglican Church of Canada Consolidated Trust

Fund, and the Anglican Church of Canada Resolution Corporation for each of the fiscal years ended December 31<sup>st</sup>, 2016, 2017 and 2018. Other work included in the capacity of the committee was the review and evaluation of reports prepared by the Auditor for each fiscal year, as well as annual recommendation of the Auditor annually to CoGS.

Please refer to Appendix B of this report, relating to audited financial statements for the fiscal year ended December 31, 2018.

#### **4.2 Grants Sub-Committee**

The Grants Sub-committee was composed of three FMC members. Members were The Ven. Trevor Freeman, Canon Paul Rathbone and chair The Rev. Leo Martin. The sub-committee considers a variety of health and social support grant applications from active and retired clergy and their dependents to the Lady Edith Drayton Trust. The sub-committee reviews applications in view of established policies and guidelines intended to ensure that consideration of each grant application is fair, equitable, and based on clear criteria.

The sub-committee meets twice a year, coinciding with FMC meetings to consider grant applications. The sub-committee meets in confidence and provides a general overview of their decisions to FMC at each meeting. Over the triennium, the Grants Sub-committee recommended more than \$50,000 in grants.

#### **4.3 Investment Sub-Committee**

The Investment Sub-committee was composed of five members. Two FMC members served on the sub-committee in the current triennium, Rob Saffrey and The Ven. Jane Humphreys. The sub-committee was very fortunate to benefit from the expertise of two non-FMC members, each an expert in their own area of professional expertise. Susan Chortyk is a retired actuary with over 30 years of experience mostly in the pension field. David MacNicol has forty years of direct investment management experience including the past 18 years as the principal of his own investment management firm. Kennedy Marshall, a former member of FMC and long-time Investment subcommittee member, chaired the sub-committee for the 2016-2019 triennium.

The primary responsibility of the sub-committee is to monitor the performance of the investment manager engaged to manage the assets held by the Anglican Church of Canada Consolidated Trust Fund.

The sub-committee met semi-annually in person throughout the triennium. The investment manager, Connor, Clark & Lunn, attended some portion of each in person meeting. The sub-committee also met via conference call between in person meetings. Manager performance is evaluated on quantitative and qualitative criteria on a quarterly basis. The sub-committee remains satisfied with manager performance.

The sub-committee also has responsibility to review the Statement of Investment Policy & Goals (SIPG) to ensure that it continues to serve General Synod effectively. The sub-committee proposed a revision to the asset mix within the SIPG to FMC on one occasion during the triennium. The revision was approved by FMC and was subsequently proposed to and approved by CoGS in June 2018. Please refer to Appendix A of this report for the current SIPG.

A standing agenda item for every meeting is the discussion of responsible investing from environmental, social and governance perspectives (ESG) and how current screening methods align Anglican values. The

sub-committee has recently implemented additional screens for thermal coal and oil sands, using thresholds commonly used by faith investors.

General Synod has also joined the Shareholder Association for Research & Education (SHARE). Through SHARE, the General Synod actively engages certain corporations that we own stock in on matters of ESG.

## **5. Summary of Policy Recommendations and Changes**

FMC recommended a number of policy changes to CoGS for approval.

- Review and revision of the Statement of Investment Policy & Goals for the Consolidated Trust Fund. The Statement of Investment Policy & Goals was revised once during the current triennium. Please refer to Appendix A for a copy of the current Statement.
- FMC continues to review and recommend changes to the Ministry Investment Fund policy and criteria. The Ministry Investment Fund policy and criteria were reviewed during the current triennium, but not no revisions were made.
- Allocation of various internally designated funds.
- A *Request for Proposal* for Audit Services was issued in August 2016 for the audit of fiscal 2016. The outcome was that General Synod changed audit firm to Grant Thornton LLP who has now been our auditor for three fiscal years.

## **6. Committee Staffing**

The Committee continues to be staffed by Hanna Goschy, Treasurer & Chief Financial Officer. During the triennium we said good bye to Marsha Bailey, who served in the role of Controller from May 2013 to August 2018. We welcomed new Controller Beth Meng in December 2018. Emily DeLucia Wood provided excellent administrative support to FMC throughout the triennium; Emily is currently on maternity leave and we look forward to Emily's return to General Synod at the end of her leave in 2020.

Respectfully submitted,

Rob Saffrey, Chair, FMC

# The Anglican Church of Canada Consolidated Trust Fund

## Statement of Investment Policy and Goals

Revised CoGS May 3-2014  
Revised CoGS Nov 15-2015  
Revised CoGS June 2-2018

# STATEMENT OF INVESTMENT POLICY AND GOALS

## Section I – Governance

### 1. *Purpose of the Fund*

The Consolidated Trust Fund (CTF) exists primarily to invest endowment and trust funds of General Synod and the Missionary Society. Dioceses, parishes, and other Church-related institutions which have similar investment objectives may also use it for investing their assets, which will be held in trust by the CTF.

### 2. *Investment Objectives*

We are called to be God's stewards of funds entrusted to us. An understanding of stewardship is based in scripture. The first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers and stewards of all that God created, recognizing that all comes as a gift from God. As stewards we are responsible to tend these funds in a wise and just manner to the best of our ability.

### 3. *Administration of the Fund*

Responsibility for the CTF lies with the Financial Management Committee (FMC) of General Synod. FMC has appointed an Investment Sub-Committee which meets with the managers regularly and provides them with policy direction.

The Fund shall be managed in accordance with all applicable legal requirements including the Income Tax Act (Canada) and the Ontario Trustee Act. It is understood that any investment management ("the Manager") or any other agent or advisor providing services in connection with the Fund, shall accept and adhere to this Statement.

The Investment Sub-Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors. In particular, the services of a custodian (the "Custodian") and of one or more investment managers (the "Manager") are retained.

The Investment Sub-Committee shall:

- establish the Statement;
- select the Manager and Custodian;
- obtain advice, as required, regarding the legal and regulatory requirements and constraints set out in this Statement applicable to the Fund;
- on an annual basis, review the Statement and recommend appropriate amendments to FMC;
- provide regular reports to FMC;

## Section I – Governance (cont'd)

- monitor the Fund and the investment performance of assets managed by each Manager and the performance of the Fund as a whole;
- inform the Manager of any significant deposits and withdrawals.

### *3.1 Investment Managers*

The Manager is responsible for:

- maintaining an understanding of legal and regulatory requirements and constraints applicable to the Fund;
- selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- providing the Investment Sub-Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- attending meetings of the Investment Sub-Committee at least twice per year to review performance and to discuss proposed investment strategies;
- informing the Investment Sub-Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation;
- advising the Investment Sub-Committee of any elements of this Statement that could prevent attainment of the Fund's objectives;
- explaining the characteristics of new asset classes or investments and how they may assist in achieving the Fund's objectives;
- being available for consultation with the Investment Sub-Committee at all reasonable times;
- providing future outlook information during attendance at Investment Sub-Committee meetings; and
- advising on a quarterly basis of the compliance status with this policy.

### *3.2 Custodian*

The Custodian is responsible for:

- holding the assets of the Fund in accordance with applicable legislation; and
- providing a quarterly consolidated report of the assets of the Fund to the Investment Sub-Committee.



**Section I – Governance**  
(cont'd)

**4. *Conflict of Interest Policies***

**4.1 *Sub-Committee Members***

- (a) A conflict of interest is deemed to exist when a fiduciary of the CTF has an interest of sufficient substance and proximity to his/her duties and powers with respect to the CTF, to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the CTF.
- (b) A fiduciary of the CTF must disclose any actual or perceived conflict of interest to the Chair of FMC, who shall disclose same to all FMC members as soon as possible.

**4.2 *The Investment Manager***

The Investment Manager shall fully disclose to the Investment Sub-Committee information on any actual or potential conflicts of interest.

**5. *Retention or Delegation of Voting Rights***

The Investment Manager is responsible for the voting of all proxies of holdings within the CTF using the best interests of the Fund as the sole voting criterion.

However, the Investment Sub-Committee reserves the right to vote any proxies directly.

The Investment Manager is to provide on a timely basis a record of voting and/or intention of voting to the Treasurer.

**6. *Securities Lending***

Securities lending is permitted.



## STATEMENT OF INVESTMENT POLICY AND GOALS

### Section II – Investment Policy and Strategy

#### *1. Fund Objectives*

##### *1.1 Investment Objectives*

The overall investment objectives, *in their order of priority*, of the Fund are to:

- preserve capital, as adjusted for Canadian Consumer Price Index (CPI) inflation and fund management expense;
- maintain liquidity; and
- generate a reasonable rate of return.

##### *1.2 Corporate Social Responsibility*

The Fund shall engage an investment manager that utilizes and applies an investment decision-making process where Socially Responsible Investing (SRI) screening would be used and implemented where feasible, prudent and effective.

SRI screening criteria will include areas of business activity that are generally considered to be controversial or ethically questionable. These criteria may include, but not be limited to: alcohol, gambling, military weapons, nuclear power, pornography and tobacco.

The Fund is to be invested in accordance with these guidelines even in the absence of special instructions.

#### *2. Performance Objectives*

The Investment Manager is expected to add value to the Fund through the proper use of asset mix and security selection in the context of not exposing the Fund to undue risk. On a four year moving average basis, the CTF expects investment returns to exceed the benchmark return by 75 or more points net of fees.

## Section II – Investment Policy and Strategy (cont'd)

### *3.Asset Mix, Ranges and Benchmark Indices*

Asset Class	Strategic Target	Range	Benchmark	Benchmark
Cash & short-term	<b>4.3%</b>	0% - 20%	<b>5%</b>	DEX 91 Day T-Bill Index
Bonds	<b>26.3%</b>	<b>25% - 75%</b>	<b>31%</b>	DEX Universe Bond Index
<i>Equities</i>	<b>42.5%</b>	30% - 60%		
Canadian	<b>21.25%</b>	15% - 60%	<b>25%</b>	S&P/TSX Composite Index
Foreign	<b>21.25%</b>	15% - 60%	<b>25%</b>	MSCI World Index (ex Canada)
<i>Alternatives</i>	<b>15.0%</b>	<b>0 - 20%</b>		
Real Estate	<b>7.5%</b>	<b>0% - 10%</b>		
Infrastructure	<b>7.5%</b>	<b>0% - 10%</b>		
Market Neutral Hedge Fund	<b>11.9%</b>	<b>0%-15%</b>	<b>14%</b>	<b>DEX Universe Bond Index</b>

### *4.Risk Guidelines*

All allocations are based on market values at time of purchase. The assets of the Fund will be invested at all times in a prudently diversified manner.

Derivative securities may be used in the portfolio for income generation (e.g. through the sale of covered call options), currency exposure management (e.g. currency forward contracts) or to obtain exposure to capital markets through the use of synthetic securities (e.g. future contracts). Derivative securities may not be used for speculative purposes and cannot be used to add leverage to the portfolio.

#### **4.1 Cash and Cash Equivalents**

At least R1-low.

Maximum term to maturity for any single security is one (1) year.

Maximum exposure to corporate issues is 50% of the cash pool.

#### **4.2 Fixed Income**

The average credit quality of the overall bond portfolio holdings will be at least “A” rated.

Revised CoGS May 3-2014

Revised CoGS Nov 15-2015

**Revised CoGS June 2-2018**

## Section II – Investment Policy and Strategy (cont'd)

### 4.3 Canadian Equities

The Fund must be well diversified across industry sectors and capitalization ranges consistent with the following:

- (a) No one equity holding shall represent more than 15% of the market value of each equity portfolio.
- (b) There will be a minimum of 30 stocks in each equity portfolio.
- (c) No more than 15% of the market value of an equity portfolio may be invested in companies with a market capitalization of less than \$250 million at the time of purchase.

### 4.4 Foreign Equities

Same as above except international holdings will be broadly diversified by region, industry, country and currency.

### 4.5 Alternative Investments

The portfolio manager may invest in Alternative Investment asset classes including Real Estate, Infrastructure and Market Neutral Strategies in accordance with the Asset Class ranges outlined in Section II, Clause 3.

#### Real Estate

The investment objective of the Real Estate portfolio is to invest in income producing real property, real estate related securities, and such other property or investments in Canada. Investments will be made directly in a diversified portfolio of primarily office, retail and industrial properties in Canadian urban and select tertiary markets. The strategy is expected to produce net returns in the 8-11% range over time. The portfolio may also invest in cash, money market and short term debt instruments as appropriate.

#### Asset Size

- ☐ Investments will be made in properties that range in size from \$10-50 million dollars.
- ☐ Individual properties are not to exceed 25% of the market value of the Portfolio.

#### Indebtedness

- ☐ Individual properties will typically be financed with debt between 40 and 60% of the market value of the property
- ☐ Individual property indebtedness cannot exceed 80% of the market value at time of acquisition.
- ☐ In aggregate the indebtedness of the Real Estate portfolio cannot exceed 65% of market value at the time the money is borrowed.



## Section II – Investment Policy and Strategy (cont'd)

### Geographical Diversification

- ☐ The Real Estate portfolio is diversified by region including significant allocations to Ontario, Alberta, British Columbia and Quebec.

### Liquidity

- ☐ The assets of the Real Estate portfolio are illiquid and there can be no assurance that the Consolidated Trust Fund or the Partnerships will be able to realize on their respective investments in a timely manner.

### Infrastructure

The Infrastructure portfolio will invest primarily in limited partnership investments. The limited partnerships will primarily target construction stage infrastructure assets although operating stage assets may also be considered. Assets fall in two broad categories: (i) Energy infrastructure assets, including power generation (hydroelectric, wind, solar, cogeneration), electricity transmission, district heating/cooling, energy conservation and other projects, and (ii) traditional infrastructure assets, including roads, schools, bridges, hospitals, water distribution and treatment, and other projects.

### Asset Size

- ☐ The Infrastructure portfolio will be invested in projects that range in size from \$50-\$750 million dollars.

### Indebtedness

- ☐ The Infrastructure portfolio may borrow an amount not exceeding 10% of portfolio net asset value in order to provide some measure of flexibility for cash management purposes including in funding its expenses, subscriptions in one or more partnerships and redemptions of portfolio units.

### Liquidity

- ☐ The assets of the Infrastructure portfolio and the partnerships are illiquid and there can be no assurance that the portfolio or the partnerships will be able to realize on their respective investments in a timely manner.

### Market Neutral Strategies

Market Neutral Strategies may invest in Canadian, U.S. and international equity and debt securities, preferred shares, convertible bonds, cash, cash equivalents, Global Depository Receipts, American Depository Receipts, collective investment vehicles including pooled funds, closed-end funds, exchange traded funds (such as ishares) and derivatives.. The portfolio may make such investments directly or indirectly through other funds, including funds managed by the Manager. The portfolio or the underlying funds may use leverage in order to meet their stated investment objective. The Market Neutral Strategies portfolio, in making investments, will engage in short selling, borrow securities and use leverage. Derivative instruments will only be used in ways

Revised CoGS May 3-2014

Revised CoGS Nov 15-2015

Revised CoGS June 2-2018

## Section II – Investment Policy and Strategy (cont'd)

that are consistent with the portfolio's investment objectives. Counterparty risk arising from derivative transactions will be limited to credits rated "A" or better. Derivative instruments used may include but are not limited to futures, forwards, options, swaps and structured notes.

**4.6** Notwithstanding this Section, it is recognized by the Investment Committee that complete adherence to these diversification and constraint standards within a pooled fund may not be entirely possible. To the extent that the portfolio is invested either in whole or in part in an Investment Manager's pooled funds, the foregoing investment constraints, and any other provisions of the Investment Policy Statement that may be affected, shall not apply but the Investment Manager shall be governed by the Investment Manager's own investment policies for the pooled funds. The investment manager shall provide such policies to the Investment Committee of the Consolidated Trust Fund and shall inform the Investment Committee when and how the policies of the funds differ from the Consolidated Trust Fund Investment Policy Statement. Such differences shall not be substantial deviations from the overall intent of the Consolidated Trust Fund investment policy. The intention of this provision is to allow, in the case of pooled funds, the necessary latitude for the implementation of the investment strategy of the Consolidated Trust Funds investments.

## **5. Reporting & Monitoring**

### **5.1 Investment Reports**

Each quarter the Manager will provide to the Investment Sub-Committee, within twenty business days from the last day of the quarter, a written report containing the following information:

- Fund holdings at the end of the quarter;
- Fund transactions during the quarter;
- Rates of return for the Fund with comparisons with relevant indexes or benchmarks; and
- A compliance report stating that the assets of the Fund are invested in compliance with this Statement.

### **5.2 Monitoring**

At the discretion of the Investment Sub-Committee as required, the Manager will meet with the Investment Sub-Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's future strategies and other issues as requested;
- the filing of compliance reports; and
- the Manager's report.

## Section II – Investment Policy and Strategy (cont'd)

### 5.3 Annual Review

It is the intention of the Investment Sub-Committee to ensure that this Statement is continually appropriate to the FMC's needs and responsible to changing economic and investment conditions. Therefore, the Statement shall be reviewed annually by the Investment Sub-Committee.

### 6. Standard Of Care

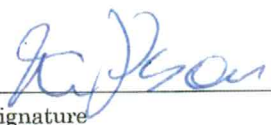
The Manager is expected to comply, at all times and in all respects, with the code of ethics and standards of professional conduct as promulgated by the professional organization of which s(he) is a member (CFA, CSI, etc) as well as those of the Ontario Securities Commission.

The Manager will manage the assets with the care, diligence and skill that a prudent Investment Manager would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

## ACKNOWLEDGEMENT

### APPROVED

The General Synod of the  
Anglican Church of Canada

  
Signature

Michael Thompson  
Name

June 2, 2018  
Date


  
Signature

Hanna Goshy  
Name

June 2, 2018  
Date

### ACCEPTED

Investment Manager

  
Signature

Don Fraser  
Name

June 5, 2018  
Date

## Audited Financial Statements

As provided by Canon VI, sections 4 c) and d), draft audited financial statements are presented for approval to members of the General Synod in a year that the Synod meets.

Current procedures of our Auditor, Grant Thornton LLP, are such that audited financial statements are considered *draft* until final approval by the governing body. At that time, the word 'draft' will be removed and the signature of the Auditor will be affixed.

Draft audited financial statements for the fiscal year ended December 31, 2018 for the following entities are appended as follows.

- The Anglican Church of Canada Resolution Corporation      Appendix B (1)
- The Anglican Church of Canada Consolidated Trust Fund      Appendix B (2)
- The General Synod of the Anglican Church of Canada      Appendix B (3)



## Financial Statements

The Anglican Church of Canada  
Resolution Corporation

December 31, 2018

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# Independent auditor's report

To the Primate and Trustees of  
The Anglican Church of Canada Resolution Corporation

## Opinion

We have audited the accompanying financial statements of The Anglican Church of Canada Resolution Corporation ("The Resolution Corporation"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Anglican Church of Canada Resolution Corporation as at December 31, 2018 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

## Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Resolution Corporation 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 opinion.

## Responsibilities of Management and Those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing The Resolution Corporation's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

We 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.

Toronto, Canada  
Month XX, 20XX

Chartered Professional Accountants  
Licensed Public Accountants

## The Anglican Church of Canada Resolution Corporation

### Statement of Operations and Changes in Fund Balances

Year ended December 31

	Settlement Fund		Anglican Fund for Healing and reconciliation		General Fund		Total
	2018	2017	2018	2017	2018	2017	2017
Revenue							
Interest income	\$ -	\$ -	\$ 677	\$ -	\$ 25	\$ 1,100	\$ 1,100
Expenses							
Grants	-	-	4,477	328,863	-	-	328,863
Other (Note 5(b))	-	-	-	-	25	1,100	1,100
	-	-	4,477	328,863	25	1,100	329,963
Deficiency of revenue over expenses	-	-	(3,800)	(328,863)	-	-	(328,863)
Fund balances, beginning of year	-	-	3,800	332,663	-	-	332,663
Fund balances, end of year	\$ -	\$ -	\$ -	\$ 3,800	\$ -	\$ -	\$ 3,800

# The Anglican Church of Canada Resolution Corporation

## Statement of Financial Position

December 31

2018

2017

### Assets

#### Current

Cash and cash equivalents

\$ \_\_\_\_\_ - \$ 145,120

\$ \_\_\_\_\_ - \$ 145,120

### Liabilities

#### Current

Grants payable

\$ - \$ 136,391

Other

- 3,933

Due to The General Synod of the Anglican Church of  
Canada (Note 5(d))

\_\_\_\_\_ - 996

\_\_\_\_\_ - 141,320

### Fund balances

Settlement Fund (Note 2)

- -

Anglican Fund for Healing and Reconciliation (Notes 2(c) and 4)

- 3,800

General Fund

\_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_ - 3,800

\$ \_\_\_\_\_ - \$ 145,120

## The Anglican Church of Canada Resolution Corporation

### Statement of Cash Flows

Year ended December 31

2018

2017

Increase (decrease) in cash and cash equivalents

#### Operating

Deficiency of revenue over expenses	\$ (3,800)	\$ (328,863)
Change in non-cash working capital items		
Grants payable	(136,391)	(78,605)
Other liabilities	(3,933)	(5,163)
Due to (from) The General Synod of the Anglican Church of Canada	(996)	18,376

Decrease in cash and cash equivalents (145,120) (394,255)

Cash and cash equivalents, beginning of year 145,120 539,375

Cash and cash equivalents, end of year \$ - \$ 145,120



## **1. Purpose of the organization and expected depletion of funds**

The Anglican Church of Canada Resolution Corporation ("ACCRC") was incorporated as a not-for-profit corporation without share capital under the Canadian Not-for-profit Corporations Act. ACCRC is exempt from income taxes under the Income Tax Act (Canada).

ACCRC's primary purpose is to operate and manage a fund (the "Settlement Fund") contributed to by The General Synod of the Anglican Church of Canada ("General Synod"), The Missionary Society of the Anglican Church of Canada ("The Missionary Society") and all dioceses in Canada (collectively referred to as the "Anglican Entities") pursuant to the Settlement Agreement and the Anglican Amending Agreement described in Note 2. ACCRC is under the management and administration of three trustees appointed by General Synod.

During the year, the remaining funds in the ACCRC were disbursed.

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## **2. Agreements with the Government of Canada**

- (a) On March 11, 2003, General Synod and The Missionary Society signed an agreement with the Government of Canada (the "Settlement Agreement") to establish a process for dealing with claims related to the operation of residential schools and to establish a framework to apportion and pay liabilities related to these claims. The Settlement Agreement provided that the Anglican Entities would contribute a total of \$25,000,000 to the Settlement Fund over a period of five years commencing March 14, 2003.
- (b) As a result of the Government of Canada entering into a more favourable agreement with entities related to the Roman Catholic Church (the "Catholic Entities"), the Government of Canada entered into an agreement with the Anglican Entities and other parties setting out a new process and revised funding arrangements for residential schools' related claims (the "2006 Indian Residential Schools Settlement Agreement"). In addition, the Government of Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 (the "Anglican Amending Agreement").
- (c) Under the Anglican Amending Agreement, the maximum amount the Anglican Entities were required to contribute towards Indian Residential Schools ("IRS") Abuse Claims and healing and reconciliation was \$15,687,188. This amount was calculated based on the maximum amount that the Catholic Entities are required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada.

The maximum payable by the Anglican Entities of \$15,687,188 was satisfied as follows:

- (i) Compensation of \$6,699,125 for IRS Abuse Claims paid by the Anglican Entities to November 20, 2005.
- (ii) The establishment by ACCRC of a segregated fund, the Anglican Fund for Healing and Reconciliation (the "AFHR"), satisfied by transferring \$2,200,000 from the Settlement Fund in 2007 (Note 4(b)).
- (iii) A minimum of \$402,367 of in-kind services, or cash payments into the AFHR from the Settlement Fund (Note 4(b)) each year over a ten-year period commencing in 2008, or until the contributions total \$4,023,675, whichever came earlier. This amount was permitted to be used to fund projects carried out by the Anglican Entities or third parties (Note 4(a)).

## **2. Agreements with the Government of Canada (continued)**

- (iv) The amount of \$2,764,300 was held in the Settlement Fund representing the maximum eligible for return to the Anglican Entities based on the actual amounts contributed by the Catholic Entities.

Confirmation of the results of the Catholic Entities' fundraising campaign was received in 2015. As a result, the maximum amount of \$2,764,300 that was eligible for return to the Anglican Entities was returned in fiscal 2015 and the Settlement Fund is now fully depleted.

- (d) The Settlement Agreement provides that interest income earned on the investment of funds held for the Settlement Fund by ACCRC is to be first used for the payment of reasonable administrative costs of the Settlement Fund, and thereafter as determined by ACCRC. The Anglican Amending Agreement provides that interest accruing on funds held for the AFHR will be first used for the payment of reasonable administrative expenses related to the AFHR and that any excess will be added to the funds available for grants. The Anglican Amending Agreement provides that any expenses in excess of the interest income earned may be recovered from the Settlement Fund if approved by the Government of Canada.

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## **3. Summary of significant accounting policies**

### **Basis of accounting**

ACCRC has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

### **Fund accounting**

ACCRC has formally set aside certain funds which are to be used for specific purposes. A description of each of these funds follows:

#### *Settlement Fund*

The Settlement Fund holds resources to be used to satisfy certain of the Anglican Entities' obligations under the Anglican Amending Agreement (Note 2(c)).

#### *Anglican Fund for Healing and Reconciliation*

The AFHR was created in accordance with the terms of the Anglican Amending Agreement for funds that will be made available for initiatives or programs designed to assist with healing and reconciliation that have been approved by the AFHR Committee (the "AFHRC") established by the Anglican Amending Agreement (Notes 2(c) and 4).

#### *General Fund*

The General Fund accounts for accumulated unrestricted funds. Under the terms of the Settlement Agreement, investment income earned on the Settlement Fund is available to ACCRC to offset reasonable administration expenses and thereafter as determined by ACCRC.

### **3. Summary of significant accounting policies (continued)**

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and units in a money market fund.

#### **Financial instruments**

Financial instruments, including cash and cash equivalents, amounts payable, are initially recorded at fair value and subsequently measured at amortized cost.

#### **Revenue recognition**

ACCRC follows the restricted fund method of accounting for restricted contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue of either the AFHR or the Settlement Fund, as applicable, in the year in which they are received. Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Investment income is recorded on an accrual basis.

#### **Grants**

Grants are accrued when approved by the AFHRC and the grantee has been notified.

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### **4. Anglican Fund for Healing and Reconciliation**

- (a) The AFHR has been established in accordance with the Anglican Amending Agreement (Note 2(c)) and must be managed in accordance with this agreement. Grants from the AFHR to the Anglican Entities or third parties must be approved by the AFHRC. The Anglican Amending Agreement sets out the criteria to be used by the AFHRC to determine whether a project is eligible for a grant. The funds in the AFHR must be paid out by 2019 and any funds not paid out by that date must be transferred to the Aboriginal Healing Foundation or to another charitable organization agreed upon unanimously by the AFHRC.
- (b) The initial transfer of funds to the AFHR of \$2,200,000, as required by the Anglican Amending Agreement, was made in 2007. Transfers of \$402,367 from the Settlement Fund to the AFHR were made from 2008 to 2013 in accordance with the Anglican Amending Agreement. In 2014, \$170,095 was transferred to the AFHR, which represents the amount in the Settlement Fund after setting aside the maximum amount that may be refunded to the Anglican Entities of \$2,764,300 (Note 2(c)). No further amounts were transferred as the Settlement Fund was depleted following the refund to the Anglican Entities during 2015.

## **5. Transactions with The General Synod of the Anglican Church of Canada**

- (a) General Synod provides administrative support to ACCRC at no cost, and makes payments on behalf of ACCRC from time to time.
- (b) In 2018, General Synod incurred expenses of \$182,619 (2017 - \$158,495) relating to the administering of the AFHR of which \$177,318 related to administrative expenses and \$5,301 related to audit fee expense.

In 2018, other expenses charged to the General Fund were \$25. In 2017, \$1,100 charged to the General Fund represented the maximum available to partially defray the administrative expenses incurred by General Synod to administer the AFHR.

- (c) Grants paid by General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$5,439 (2017 - \$Nil).
- (d) In 2018, the AFHR Committee approved grants in excess of funds available in the AFHR. Grants amounting to \$4,973 were reversed in the AFHR and accrued in General Synod on behalf of the AFHR. This amount will not be reimbursed by ACCRC as the corporation has depleted its funds.
- (e) As at December 31, 2018, an amount of \$Nil is due to General Synod (2017 - \$996). Amounts due to/from General Synod are non-interest bearing and due on demand.



## Financial Statements

### The Anglican Church of Canada Consolidated Trust Fund

December 31, 2018

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## Independent auditor's report

To the Financial Management Committee of the General Synod of the Anglican Church of Canada as Trustees of  
The Anglican Church of Canada Consolidated Trust Fund

### Opinion

We have audited the accompanying financial statements of The Anglican Church of Canada Consolidated Trust Fund ("The Consolidated Trust Fund"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations and changes in net assets attributable to unitholders for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Anglican Church of Canada Consolidated Trust Fund as at December 31, 2018 and the results of its operations and changes in net assets attributable to unitholders for the year then ended in accordance with Canadian accounting standards for private enterprises.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The Consolidated Trust Fund 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 opinion.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for private enterprises, 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 Consolidated Trust Fund'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 Consolidated Trust Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing The Consolidated Trust Fund's financial reporting process.



### Auditor's Responsibilities for the Audit of the Financial Statements

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

We 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.

Toronto, Canada  
Month XX, 20XX

Chartered Professional Accountants  
Licensed Public Accountants

## The Anglican Church of Canada Consolidated Trust Fund

### Statement of Operations and Changes in Net Assets Attributable to Unitholders

Year ended December 31

	Income		Capital		Total	
	2018	2017	2018	2017	2018	2017
<b>Income</b>						
Interest and dividends	\$ 672,645	\$ 650,770	\$ -	\$ -	\$ 672,645	\$ 650,770
Unrealized gains (losses) on foreign exchange	-	-	363,975	(244,015)	363,975	(244,015)
Realized gains on investments	-	-	1,068,350	770,270	1,068,350	770,270
Change in unrealized gains on investments	-	-	(2,524,073)	926,090	(2,524,073)	926,090
	<u>672,645</u>	<u>650,770</u>	<u>(1,091,748)</u>	<u>1,452,345</u>	<u>(419,103)</u>	<u>2,103,115</u>
<b>Expenses</b>						
Investment management and other fees	<u>154,193</u>	<u>146,107</u>	-	-	<u>154,193</u>	<u>146,107</u>
(Decrease) increase in net assets attributable to unitholders	<u>518,452</u>	<u>504,663</u>	<u>(1,091,748)</u>	<u>1,452,345</u>	<u>(573,296)</u>	<u>1,957,008</u>
Net assets attributable to unitholders, beginning of year	-	-	<u>26,687,981</u>	<u>25,163,722</u>	<u>26,687,981</u>	<u>25,163,722</u>
Additions to capital invested	-	-	<u>1,160,188</u>	<u>987,562</u>	<u>1,160,188</u>	<u>987,562</u>
Withdrawal of capital invested	-	-	<u>(513,805)</u>	<u>(145,378)</u>	<u>(513,805)</u>	<u>(145,378)</u>
Distributions	<u>(518,452)</u>	<u>(504,663)</u>	<u>(1,068,350)</u>	<u>(770,270)</u>	<u>(1,586,802)</u>	<u>(1,274,933)</u>
Net assets attributable to unitholders, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,174,266</u>	<u>\$ 26,687,981</u>	<u>\$ 25,174,266</u>	<u>\$ 26,687,981</u>

## The Anglican Church of Canada Consolidated Trust Fund Statement of Financial Position

December 31	2018	2017
<b>Assets</b>		
Cash	\$ 156,323	\$ 108,298
Accrued income	21,263	26,570
Investments, at market value (Note 3)	<u>26,228,523</u>	<u>27,503,007</u>
	<b><u>\$ 26,406,109</u></b>	<b><u>\$ 27,637,875</u></b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 14,552	\$ 14,292
Distributions payable	<u>1,217,291</u>	<u>935,602</u>
	<b><u>1,231,843</u></b>	<b><u>949,894</u></b>
<b>Net assets attributable to unitholders</b>	<b><u>\$ 25,174,266</u></b>	<b><u>\$ 26,687,981</u></b>
	<b><u>\$ 26,406,109</u></b>	<b><u>\$ 27,637,875</u></b>

See accompanying notes to the financial statements.

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# **The Anglican Church of Canada Consolidated Trust Fund**

## **Notes to the Financial Statements**

December 31, 2018

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### **1. Description and purpose of the trust**

The Anglican Church of Canada Consolidated Trust Fund ("The Consolidated Trust Fund") is a trust established pursuant to the Church of England Consolidated Trust Fund Act, 1951 (Chap. 34, Statutes of Canada, 1951 (2nd Session)). The name of the trust was changed to its present form in 1956 (Chap. 57, Statutes of Canada, 1956). The Consolidated Trust Fund is authorized to receive personal property, securities and moneys of The General Synod of the Anglican Church of Canada ("General Synod") and The Missionary Society of the Anglican Church of Canada ("The Missionary Society") and to manage and invest such as one general trust fund. In addition, The Consolidated Trust Fund may hold for investment any trust funds or other securities or moneys vested in or held by any department, board, council or committee of General Synod or of The Missionary Society, or held by any Provincial or Diocesan Synod in Canada or any board or committee thereof.

The Consolidated Trust Fund is managed as a pooled fund with participants being allocated units pro-rata to the value of their contributions made to The Consolidated Trust Fund for investment purposes.

All participants in The Consolidated Trust Fund are registered charities under the Income Tax Act (Canada) and are exempt from income taxes.

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### **2. Summary of significant accounting policies**

These financial statements were prepared in accordance with Part II of the Chartered Professional Accountants of Canada Handbook - Accounting, which sets out generally accepted accounting principles for private enterprises in Canada and includes the significant accounting policies described hereafter.

#### **Basis of presentation**

Realized and unrealized gains (losses) on investments and foreign exchange are recorded in the capital section of the statement of operations and changes in net assets.

Interest and dividends are recorded in the income section of the statement of operations and changes in net assets.

A statement of cash flows was not presented as it would not provide additional information.

#### **Financial instruments**

Investments are recorded at fair value, which results in capital gains or losses being allocated to unitholders. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including cash and accounts payable, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

# The Anglican Church of Canada Consolidated Trust Fund

## Notes to the Financial Statements

December 31, 2018

### 2. Summary of significant accounting policies (continued)

#### Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the statement of financial position. Non-monetary assets and liabilities are translated at the historical rate. Exchange gains and losses are recorded in the statement of operations and changes in net assets.

#### Unit valuation

The Consolidated Trust Fund is a unitized fund which is valued quarterly. Additions to capital are permitted at the beginning of each quarter and are valued at the unit value as at the end of the previous quarter. Withdrawals of capital are valued at the unit value as at the end of the previous quarter.

#### Distributions

Distributions are allocated to unitholders quarterly, pro-rata based on the number of units held at the end of each quarter.

### 3. Investments

	<u>2018</u>		<u>2017</u>	
Fixed income				
Canadian pooled funds	<u>\$ 9,155,394</u>	<u>34.9%</u>	<u>\$ 9,314,031</u>	<u>33.9%</u>
Equities				
Canadian equities	<u>4,997,013</u>	<u>19.0%</u>	<u>7,745,636</u>	<u>28.2%</u>
U.S. equities	<u>4,032,547</u>	<u>15.4%</u>	<u>3,917,332</u>	<u>14.2%</u>
Global equity pooled funds	<u>2,857,280</u>	<u>10.9%</u>	<u>3,061,876</u>	<u>11.1%</u>
	<u>11,886,840</u>	<u>45.3%</u>	<u>14,724,844</u>	<u>53.5%</u>
Alternative investments				
Multi-strategy hedge fund	<u>3,473,692</u>	<u>13.2%</u>	<u>2,226,089</u>	<u>8.1%</u>
Infrastructure pooled fund	<u>254,343</u>	<u>1.0%</u>	<u>142,750</u>	<u>0.5%</u>
	<u>3,728,035</u>	<u>14.2%</u>	<u>2,368,839</u>	<u>8.6%</u>
Real estate				
Canadian real estate pooled fund	<u>1,458,254</u>	<u>5.6%</u>	<u>1,095,293</u>	<u>4.0%</u>
	<u>\$26,228,523</u>	<u>100.0%</u>	<u>\$ 27,503,007</u>	<u>100.0%</u>

Investments are managed by Connor, Clark & Lunn Private Capital Ltd.

# The Anglican Church of Canada Consolidated Trust Fund

## Notes to the Financial Statements

December 31, 2018

### 4. Participants' units and income distributions

All investments are pooled and each participant in The Consolidated Trust Fund is allocated units. As at December 31, 2018, there were 1,064,448 units (2017 - 1,039,154) issued, of which 825,695 (2017 - 796,980) were held by the General Synod.

Per unit data is as follows:

	<u>2018</u>	<u>2017</u>
Market value, as at December 31	\$ 23.65	\$ 25.68
Income distributions during the year	\$ 0.49	\$ 0.49
Realized capital gain distributions during the year	\$ 1.00	\$ 0.74
Net earnings for the year	\$ (0.54)	\$ 1.88

### 5. Transactions with The General Synod of the Anglican Church of Canada

General Synod receives contributions and makes payments on behalf of The Consolidated Trust Fund, and provides administrative services at no cost.

### 6. Financial instruments

The Consolidated Trust Fund is exposed to various financial risks through transactions in financial instruments, which are unchanged from the prior year.

#### Currency risk

The Consolidated Trust Fund is exposed to foreign currency risk with respect to its investments denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

#### Credit risk

The Consolidated Trust Fund is exposed to credit risk in connection with its fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

#### Interest rate risk

The Consolidated Trust Fund is exposed to interest rate risk with respect to its investment in a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

#### Other price risk

The Consolidated Trust Fund is exposed to other price risk through changes in market prices (other than changes arising from interest rate or currency risks) in connection with its investments in equities and pooled funds.

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# **The Anglican Church of Canada Consolidated Trust Fund**

## **Notes to the Financial Statements**

December 31, 2018

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### **6. Financial instruments (continued)**

#### **Liquidity Risk**

The Consolidated Trust Fund is exposed to liquidity risk with respect to its accounts payable and distributions payable. The Consolidated Trust Fund meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities, and holding assets that can be readily converted into cash.





## Consolidated Financial Statements

The General Synod of the  
Anglican Church of Canada

December 31, 2018

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## Independent auditor's report

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To the Primate and the Members of  
The General Synod of the Anglican Church of Canada

### Opinion

We have audited the accompanying consolidated financial statements of The General Synod of the Anglican Church of Canada ("The General Synod"), which comprise the statement of financial position as at December 31, 2018 and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of The General Synod as at December 31, 2018 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of The General Synod 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 opinion.

### Responsibilities of Management and Those Charged with Governance 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.

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

Those charged with governance are responsible for overseeing The General Synod's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Statements

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

We 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.

Toronto, Canada  
Month XX, 20XX

Chartered Professional Accountants  
Licensed Public Accountants

## The General Synod of the Anglican Church of Canada Consolidated Statement of Operations

Year ended December 31

2018

2017

### Revenue

Contributions from Dioceses	\$ 7,898,264	\$ 8,416,738
Other (Note 4)	1,528,777	1,556,498
Anglican Journal	1,260,387	1,357,383
Resources for Mission	432,142	611,846
	<u>11,119,570</u>	<u>11,942,465</u>

### Expenses

Council of the North Grants	2,150,000	2,150,000
Anglican Journal	1,924,824	2,066,107
Administration (Note 6)	1,467,270	1,431,582
Other Program Initiatives	1,134,690	1,057,560
Indigenous Ministries	1,073,741	691,251
Primate and House of Bishops	841,206	795,984
Communications	766,071	678,107
Governance (Note 6)	680,899	585,731
Global Relations	577,631	633,100
Faith, Worship and Ministry	400,841	437,033
Resources for Mission	337,445	367,589
Affiliations	275,112	274,544
Public Witness for Social and Ecological Justice	182,791	129,660
Diocesan Support	32,172	123,003
	<u>11,844,693</u>	<u>11,421,251</u>

(Deficiency) excess of revenue over expenses before the following

(725,123) 521,214

Investment (loss) income (Note 7)

(296,603) 998,523

Undesignated legacies

286,404 211,686

(Deficiency) excess of revenue over expenses

\$ (735,322) \$ 1,731,423

## The General Synod of the Anglican Church of Canada

### Consolidated Statement of Changes in Net Assets

Year ended December 31

	Unrestricted	Internally designated	Endowments	Total 2018	Total 2017
Net assets, beginning of year	\$ 4,655,706	\$ 11,734,930	\$ 4,899,089	\$ 21,289,725	\$ 19,313,109
(Deficiency) excess of revenue over expenses	(735,322)	-	-	(735,322)	1,731,423
Transfer to (from) internally designated net assets, net (Note 11)	160,118	(160,118)	-	-	-
Investment (loss) income allocated to externally restricted endowments (Note 7)	-	-	(185,625)	(185,625)	245,193
Net assets, end of year	<u>\$ 4,080,502</u>	<u>\$ 11,574,812</u>	<u>\$ 4,713,464</u>	<u>\$ 20,368,778</u>	<u>\$ 21,289,725</u>

See accompanying notes to the consolidated financial statements.

## The General Synod of the Anglican Church of Canada

### Consolidated Statement of Financial Position

December 31 2018 2017

#### Assets

##### Current

Cash and cash equivalents	\$ 865,041	\$ 1,363,150
Cash held in trust	757,201	-
Accounts receivable (Note 6)	1,985,909	1,960,570
Inventory	108,464	137,463
Prepaid expenses and other assets	120,026	125,592
	<b>3,836,641</b>	<b>3,586,775</b>
Investments (Note 7)	<b>19,527,738</b>	<b>20,468,368</b>
Car and staff housing loans (Note 8)	<b>368,792</b>	<b>411,272</b>
Capital assets (Note 9)	<b>2,454,785</b>	<b>2,529,952</b>
	<b>\$ 26,187,956</b>	<b>\$ 26,996,367</b>

#### Liabilities

##### Current

Accounts payable and accrued liabilities (Note 6)	\$ 937,716	\$ 934,428
Other accounts payable	757,201	-
Deferred contributions (Note 5)	2,585,582	2,955,610
	<b>4,280,499</b>	<b>3,890,038</b>
Annuities (Note 10)	<b>1,538,679</b>	<b>1,816,604</b>
	<b>5,819,178</b>	<b>5,706,642</b>

#### Net assets

Unrestricted	<b>4,080,502</b>	<b>4,655,706</b>
Internally designated (Note 11)	<b>11,574,812</b>	<b>11,734,930</b>
Endowments (Note 3)	<b>4,713,464</b>	<b>4,899,089</b>
	<b>20,368,778</b>	<b>21,289,725</b>
	<b>\$ 26,187,956</b>	<b>\$ 26,996,367</b>

Contingencies (Notes 2(e) and 12)

## The General Synod of the Anglican Church of Canada

### Consolidated Statement of Cash Flows

Year ended December 31

2018

2017

Increase (decrease) in cash and cash equivalents

#### Operating

(Deficiency) excess of revenue over expenses	\$ (735,322)	\$ 1,731,423
Items not affecting cash		
Amortization	110,633	116,419
Non cash investment transactions	296,603	(998,523)
	(328,086)	849,319

Change in non-cash working capital items

Accounts receivable	(25,339)	(648,128)
Inventory	28,999	49,656
Prepaid expense and other assets	5,566	(17,394)
Accounts payable and accrued liabilities	3,288	(457,901)
Other accounts payable	757,201	-
Deferred contributions	(370,028)	(106,946)
	71,601	(331,394)

#### Investing

Purchase of capital assets	(35,466)	(37,564)
Withdrawals (contributions) to		
The Consolidated Trust Fund, net	458,402	(57,919)
Repayment of car and staff housing loans	42,480	103,325
Annuities, net	(277,925)	(53,140)
	187,491	(45,298)

Increase (decrease) in cash and cash equivalents

259,092 (376,692)

Cash and cash equivalents, beginning of year

1,363,150 1,739,842

Cash and cash equivalents, end of year

\$ 1,622,242 \$ 1,363,150

Cash and cash equivalents	\$ 865,041	\$ 1,363,150
Cash held in trust	757,201	-
Total	\$ 1,622,242	\$ 1,363,150



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# **The General Synod of the Anglican Church of Canada**

## **Notes to the Consolidated Financial Statements**

December 31, 2018

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### **1. Purpose of the organization and basis of presentation**

The General Synod of the Anglican Church of Canada ("The General Synod") was incorporated by Act of Parliament in 1921 as the central representative body of the Anglican Church of Canada (the "Church") with authority and jurisdiction in all matters affecting in any way the general interest and well-being of the whole Church including: relations of the Church to other religious bodies in Canada and elsewhere; relations of the Church to the worldwide Anglican Communion; the definition of the doctrines of the Church in harmony with the Solemn Declaration adopted in 1893; structural uniformity in relation to the episcopal prerogative of licensing clergy; the basic standards of theological education and the qualifications and training of candidates for the ministry of the Church; and as a partner in the worldwide Anglican Communion and in the universal church, to proclaim and celebrate the gospel of Jesus Christ in worship and action.

The General Synod is established as a non-profit corporation under the Canada Not-for-profit Corporations Act and is a registered charity with Canada Revenue Agency, and thus, is not subject to income taxes.

The Missionary Society of the Anglican Church of England in Canada ("The Missionary Society") was incorporated by Act of Parliament in 1903 to carry out the general missionary work of the Church and consisted of all members of The Church of England in Canada, known as the Anglican Church of Canada after 1955. Subject to the authority of The General Synod, the work of the society was administered by a Board of Management. Originally a very active body, the work and structure of The Missionary Society changed over several decades, and currently only provides car loans to the missionary dioceses and holds a small number of externally restricted endowments. While the Board of Management has not had administrative or operational duties since 1970, it still meets once a year to approve the financial statements and to deal with any business related to remaining funds.

The Missionary Society is established a non-profit corporation under the Canada Not-for-profit Corporations Act and is a registered charity with Canada Revenue Agency, and thus, is not subject to income taxes.

The consolidated financial statements include the assets, liabilities, net assets, revenue and expenses of The General Synod and The Missionary Society.

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### **2. Residential Schools claims**

- (a) On March 11, 2003, The General Synod and The Missionary Society signed an agreement with the Government of Canada (the "Settlement Agreement") to establish a process for dealing with claims related to the operation of Indian Residential Schools (IRS) and to establish a framework to apportion and pay liabilities related to these IRS Abuse Claims. The Settlement Agreement provided that The General Synod, The Missionary Society and all dioceses in Canada (the "Anglican Entities") would contribute a total of \$25,000,000 to the Settlement Fund over a period of five years commencing March 14, 2003. In 2003, The General Synod contributed \$3,000,000, representing its share of the \$25,000,000 in accordance with the Settlement Agreement. The Settlement Fund is operated and managed by a separate corporation, The Anglican Church of Canada Resolution Corporation ("ACCRC") (Note 6).

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# The General Synod of the Anglican Church of Canada

## Notes to the Consolidated Financial Statements

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December 31, 2018

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### 2. Residential School claims (continued)

- (b) As a result of the Government of Canada entering into a more favourable agreement with entities related to the Roman Catholic Church (the "Catholic Entities"), the Government of Canada entered into an agreement with the Anglican Entities and other parties setting out a new process and revised funding arrangements for residential schools' related claims (the "2006 Indian Residential Schools Settlement Agreement"). In addition, the Government of Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 (the "Anglican Amending Agreement").
- (c) Under the Anglican Amending Agreement, the maximum amount the Anglican Entities were required to contribute towards IRS Abuse Claims and healing and reconciliation was \$15,687,188. This amount was calculated based on the maximum amount that the Catholic Entities were required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada. The maximum amount of \$2,764,300 was refunded to the Anglican Entities from the Settlement Fund, which is now fully depleted, after the amount contributed by the Catholic Entities towards IRS Abuse Claims was finalized in 2015.
- (d) Under the Anglican Amending Agreement, a fund called the Anglican Fund for Healing and Reconciliation ("AFHR") was established in ACCRC to provide grants for healing and reconciliation. The AFHR is administered by The General Synod on behalf of ACCRC and costs incurred and grants made are reimbursed by ACCRC (Note 6).
- (e) The General Synod is a co-defendant with the Government of Canada and certain dioceses in a number of legal cases involving substantial claims arising from the operation of IRS Abuse Claims. The Anglican Amending Agreement provides that the Government of Canada will be responsible for payment of all further amounts related to residential schools' claims covered by the Settlement Agreement.

Certain other outstanding claims, such as those where the cause of action is not related to an intentional tort (e.g., for loss or diminution of aboriginal language or culture), are not covered by the Settlement Agreement for a limited number of people who opted out of the 2006 Indian Residential Schools Settlement Agreement. As well, there are possible claims not covered by the Settlement Agreement. No provision has been made in these consolidated financial statements for costs, if any, which might arise from a finding of liability in connection with actions not covered by the Settlement Agreement.

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### 3. Summary of significant accounting policies

#### Basis of accounting

The General Synod has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

#### Revenue recognition

The General Synod follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Unrestricted grants and bequests are recorded in the accounts when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations which are unrestricted are recorded when received, since pledges are not legally enforceable claims.

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# **The General Synod of the Anglican Church of Canada**

## **Notes to the Consolidated Financial Statements**

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December 31, 2018

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### **3. Summary of significant accounting policies (continued)**

#### **Revenue recognition (continued)**

Externally restricted contributions, excluding endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when initially recorded in the accounts.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the consolidated statement of operations, except to the extent that it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

Anglican journal revenue includes contributions, advertising and subscription revenue. Contributions are recognized as noted above. Advertising and subscription revenues are recognized when the publication is distributed.

Resources for Mission revenue represents contributions received and are recognized as noted above.

#### **Endowments**

Endowments represent contributions where the donor has required that the capital be maintained permanently with the income available for various purposes.

#### **Grants**

Grants are recorded when approved and the recipient has met all conditions.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, units in money market funds and short-term deposits with original maturities of less than 90 days from the date of purchase. Cash and cash equivalents meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as long-term investments.

#### **Financial instruments**

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including cash and cash equivalents, cash held in trust, accounts receivable, car and staff housing loans, accounts payable, and annuities, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment in the case of financial assets.

#### **Inventory**

Inventory comprises stock of ABC Publishing, which is carried at the lower of cost, as determined using the first-in, first-out method, and net realizable value.

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# The General Synod of the Anglican Church of Canada

## Notes to the Consolidated Financial Statements

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December 31, 2018

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### 3. Summary of significant accounting policies (continued)

#### Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets over the following periods:

Building	40 years
Furniture and equipment	3 to 10 years

#### Annuities

Annuities are recorded at the greater of: (i) the net present value of the future obligations as determined by an actuary; and (ii) the amounts contributed, net of an administration fee, plus income earned less annuity payments. Any amount remaining in an annuitant's account upon the death of the annuitant is payable to the designated beneficiary.

#### Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the date of the consolidated statement of financial position. Non-monetary assets and liabilities are translated at the historical rate. Exchange gains and losses are included in the consolidated statement of operations, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

#### Contributed materials and services

Contributed materials and services are not recognized in these consolidated financial statements.

#### Pension plan

The General Synod participates in a multi-employer defined benefit plan. As required under ASNPO, defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, as the participating employers do not individually have sufficient information to apply defined benefit plan accounting.

#### Use of estimates

The presentation of The General Synod's financial statements, in conformity with ASNPO, requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the notes thereto. Actual results could differ from those estimates used in preparing the financial statements. Balances which require some degree of estimation are accounts receivable (allowance for doubtful accounts), inventory (obsolescence), capital assets (amortization), accrued liabilities (estimation), annuities (valuation), and allocated expenses (estimation).

# The General Synod of the Anglican Church of Canada

## Notes to the Consolidated Financial Statements

December 31, 2018

### 4. Other revenue

Other revenue includes the following:

	2018	2017
Grants and other contributions	\$ 984,442	\$ 993,948
Cost-sharing	263,464	270,428
ABC Publishing	130,442	147,341
Calendar sales	98,275	70,325
Other	52,154	74,456
	<b>\$ 1,528,777</b>	<b>\$ 1,556,498</b>

### 5. Deferred contributions

Deferred contributions represent externally restricted funds received by The General Synod to be spent in future years. Deferred contributions are held for various restricted purposes including education, bursaries and work of the Church in the North and overseas. Revenue recognized in the consolidated statement of operations with respect to these contributions is equal to expenses incurred for the restricted purposes during the year.

The continuity of the deferred contributions balance is as follows:

	2018	2017
Increase		
Donations, grants and bequests	\$ 966,152	\$ 1,201,300
Investment income (Note 7)	66,428	124,237
	<b>1,032,580</b>	<b>1,325,537</b>
Decrease		
Income recognized related to expenses for restricted purposes	<b>1,402,608</b>	<b>1,432,483</b>
Net decrease in deferred contributions	<b>(370,028)</b>	<b>(106,946)</b>
Balance, beginning of year	<b>2,955,610</b>	<b>3,062,556</b>
Balance, end of year	<b>\$ 2,585,582</b>	<b>\$ 2,955,610</b>

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## **The General Synod of the Anglican Church of Canada**

### **Notes to the Consolidated Financial Statements**

December 31, 2018

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#### **6. The Anglican Church of Canada Resolution Corporation**

ACCRC was incorporated to operate and manage the Settlement Fund, contributed into by the Anglican Entities pursuant to the Settlement Agreement and the Anglican Amending Agreement (Note 2). ACCRC is under the management and administration of three trustees appointed by The General Synod.

The General Synod expenses include the provision of administrative support to ACCRC including the AFHR (Note 2(d)). In 2018, administration costs incurred by The General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$ Nil (2017 - \$1,100). The expense is included in governance expenses in the consolidated statement of operations and the reimbursement in other revenue. Costs incurred relating to the administering of the AFHR were \$182,619 (2017 - \$158,495) of which \$177,318 related to administrative expenses and \$5,301 related to audit fee expense included in administration expenses in the consolidated statement of operations.

The General Synod also makes payments on behalf of ACCRC from time to time. Grants paid by The General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$5,439 (2017 - \$Nil).

Included in accounts receivable as at December 31, 2018 is \$ Nil due from ACCRC (2017 - \$996 due to ACCRC). Amounts due from ACCRC are non-interest bearing and due on demand.

The remaining funds in the ACCRC were depleted in 2018.

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#### **7. Investments**

Investments of The General Synod are held in The Anglican Church of Canada Consolidated Trust Fund ("The Consolidated Trust Fund"), a trust that invests funds of The General Synod and other organizations. The Consolidated Trust Fund's investments are managed by Connor, Clark & Lunn Private Capital Ltd. The General Synod provides administrative support to The Consolidated Trust Fund at no cost.

## The General Synod of the Anglican Church of Canada

### Notes to the Consolidated Financial Statements

December 31, 2018

#### 7. Investments (continued)

As at December 31, The General Synod's share of The Consolidated Trust Fund's investments, which are recorded at fair value, consists of the following:

	2018		2017	
Cash and cash equivalents	\$ 131,328	1%	\$ 99,883	0.5%
Fixed income				
Canadian pooled fund	6,770,559	35%	6,897,889	34%
Equities				
Canadian equities	3,695,370	19%	5,736,351	28%
U.S. equities	2,982,133	15%	2,901,141	14%
Global equity pooled funds	2,113,005	11%	2,267,599	11%
	8,790,508	45%	10,905,091	53%
Alternative investments				
Multi-strategy fund	2,568,850	13%	1,648,622	8%
Infrastructure fund	188,091	1%	105,719	0.5%
	2,756,941	14%	1,754,341	8.5%
Real estate				
Canadian real estate pooled fund	1,078,402	5%	811,164	4%
	\$19,527,738	100%	\$20,468,368	100%

Investment income includes the following:

	2018	2017
Net unrealized (losses) gains	\$ (1,138,569)	\$ 340,006
Income distributions	282,737	269,426
Net realized capital gains	559,229	389,091
	\$ (296,603)	\$ 998,523

Investment income was recognized as revenue as follows:

	2018	2017
Total investment income	\$ (451,670)	\$ 1,505,299
Allocated to		
Externally restricted endowments	(185,625)	245,193
Deferred contributions related to (Note 5)		
Endowments	77,126	76,826
Other	(10,698)	47,411
Annuities	(35,870)	137,346
	(155,067)	506,776
Investment income recognized in the consolidated statement of operations	\$ (296,603)	\$ 998,523

## The General Synod of the Anglican Church of Canada

### Notes to the Consolidated Financial Statements

December 31, 2018

#### 8. Car and staff housing loans

Car and staff housing loans consist of the following:

	2018	2017
Car loans, non-interest bearing, due within 48 months of date of issue, guaranteed by dioceses	\$ 101,635	\$ 136,028
Staff housing loans, with interest payable at 2.56%, due 2037 (2017 – 2.56%, due 2037)	267,157	275,244
	<b>\$ 368,792</b>	<b>\$ 411,272</b>

Car loans are available to clergy and lay workers in the assisted dioceses, with the maximum individual loan being \$16,000.

Staff housing loans are secured and were provided to certain staff who came to work in Toronto having previously been resident outside the Greater Toronto Area.

#### 9. Capital assets

	2018	2017
	Net Book Value	Net Book Value
Cost	Accumulated Amortization	
Building	\$ 3,415,402	\$ 1,049,302
Furniture and equipment	927,860	839,175
	<b>\$ 4,343,262</b>	<b>\$ 1,888,477</b>
	<b>\$ 2,366,100</b>	<b>\$ 2,453,537</b>
	<b>88,685</b>	<b>76,415</b>
	<b>\$ 2,454,785</b>	<b>\$ 2,529,952</b>

#### 10. Annuities

The General Synod holds charitable gift annuities. A charitable gift annuity permits the donor to designate a beneficiary who receives any residual funds upon the death of the annuitant. These beneficiaries include dioceses, parishes, The Anglican Foundation of Canada, Primate's World Relief and Development Fund, and The General Synod. The most recent valuation of the annuities liability was completed as of December 31, 2018.



# The General Synod of the Anglican Church of Canada

## Notes to the Consolidated Financial Statements

December 31, 2018

### 11. Internally designated net assets

Internally designated net assets are amounts set aside for various special purposes based on decisions by The General Synod. The amounts internally designated are for the following purposes as at December 31:

	Balances, January 1, 2018	Net transfers	Balances, December 31, 2018
Ministry Investment Fund	\$ 3,698,857	\$ 193,943	\$ 3,892,800
Amounts invested in capital assets	2,529,952	(75,167)	2,454,785
Provision for contingencies	1,706,098	(92,000)	1,614,098
Provision for General Synod – 2019	877,964	88,304	966,268
Healing Fund	500,000	-	500,000
Provision for Sacred Circle – 2018 meeting	443,118	(162,998)	280,120
ACCRC returned funds	324,509	-	324,509
Provision for Nationwide Fundraising Initiative	114,200	(114,200)	-
Other	1,540,232	2,000	1,542,232
	<u>\$ 11,734,930</u>	<u>\$ (160,118)</u>	<u>\$ 11,574,812</u>

All undesignated legacies are transferred to the Ministry Investment Fund. The Ministry Investment Fund provides funding for internal projects that meet certain criteria.

### 12. Contingencies

The General Synod's contingent liabilities in connection with IRS Abuse Claims are described in Note 2(e).

The General Synod is a defendant or co-defendant with several dioceses in a number of other legal claims. The potential liability, if any, with respect to these claims is not determinable. However, The General Synod believes it has good defences to these claims or adequate insurance coverage for any successful claims. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

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## **The General Synod of the Anglican Church of Canada**

### **Notes to the Consolidated Financial Statements**

December 31, 2018

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#### **13. Pension plan**

The General Synod and its employees make contributions to The General Synod Pension Plan (the "Plan"), a multi-employer defined benefit pension plan administered by the Board of Trustees of the Plan which covers certain dioceses and other church institutions. The most recent valuation for financial reporting purposes completed by the Plan as of December 31, 2017 disclosed net assets available for benefits of \$818,420,000 with pension obligations of \$662,235,000, resulting in a surplus of \$156,185,000. The next valuation as of December 31, 2018 is expected to be completed in the fourth quarter of 2019.

During the year, The General Synod made contributions of \$415,086 (2017 - \$397,152) to the Plan.

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#### **14. Line of credit**

The General Synod has a demand operating line of credit of \$2,000,000 with interest payable at prime plus 1.0% with substantially all of its assets pledged as security. As at December 31, 2018 and 2017, no amount was outstanding.

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#### **15. Financial instruments**

The General Synod is exposed to various financial risks through transactions in financial instruments.

##### **Foreign currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The General Synod is exposed to foreign currency risk with respect to the underlying investments held in The General Synod denominated in foreign currencies.

##### **Credit risk**

Credit risk arises as a result of the potential non-performance by counterparties of contract obligations which could lead to a financial loss to The General Synod. The General Synod is exposed to credit risk in connection with its accounts receivable, car and staff housing loans, and the short-term and fixed income investments held in The General Synod.

##### **Interest rate risk**

Interest rate risk is the risk that the fair value of or future cash flows from a financial instrument will fluctuate because of market changes in interest rates. The General Synod is exposed to interest rate risk with respect to the car and staff housing loans, the investments in fixed income investments held in The General Synod, and its annuities payable because the fair value will fluctuate due to changes in market interest rates.

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# **The General Synod of the Anglican Church of Canada**

## **Notes to the Consolidated Financial Statements**

December 31, 2018

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### **15. Financial instruments (continued)**

#### **Other price risk**

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The General Synod is exposed to other price risk in connection with the investments in equity securities and pooled funds held in The General Synod.

#### **Liquidity Risk**

Liquidity risk is the risk that The General Synod will encounter difficulty in meeting its obligations. The General Synod meets its liquidity requirements by preparing and monitoring detailed forecasts of cash flows from operations, anticipating investing and financing activities and holding assets that can be readily converted into cash.

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### **16. Comparative consolidated financial statements**

The comparative consolidated financial statements have been reclassified from statements previously presented to conform to the presentation of the 2018 consolidated financial statements.