
Financial statements of
The Anglican Diocese of Ottawa
Extension Fund Incorporated

December 31, 2017

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Independent Auditor's Report

To the Members of
The Anglican Diocese of Ottawa Extension Fund Incorporated

We have audited the accompanying financial statements of The Anglican Diocese of Ottawa Extension Fund Incorporated, which comprise the statement of financial position as at December 31, 2017, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The Anglican Diocese of Ottawa Extension Fund Incorporated as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.



The Anglican Diocese of Ottawa Extension Fund Incorporated

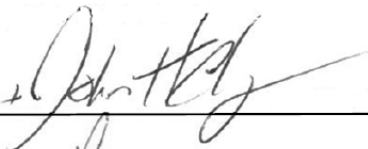
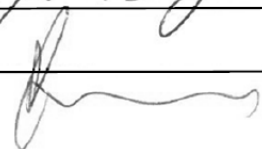
Statement of financial position

As at December 31, 2017

	Notes and schedules	2017 \$	2016 \$
Assets			
Current assets			
Cash		1,552,462	1,253,551
Accrued interest		4,613	4,888
Due from St. Paul's, Shawville	3	—	34,862
Due from St. James, Carleton Place	4	571,037	721,369
Due from the Synod	5	186,411	186,411
		2,314,523	2,201,081
Mortgages and promissory notes	A	3,301,284	3,376,920
		5,615,807	5,578,001
Liabilities			
Current liabilities			
Accrued liabilities		6,000	6,000
Loan payable to the Synod	4	571,037	721,369
Deferred contributions	6	7,500	7,500
		584,537	734,869
Net assets			
Unrestricted		4,977,792	4,789,654
Internally restricted	10	53,478	53,478
		5,031,270	4,843,132
		5,615,807	5,578,001

The accompanying notes and the schedule are an integral part of the financial statements.

Approved by the Board


 _____ Director

 _____ Director

The Anglican Diocese of Ottawa Extension Fund Incorporated

Statement of revenue and expenses

Year ended December 31, 2017

	Notes	2017	2016
		\$	\$
Revenue			
Interest		145,838	130,518
Expenses			
Contributions to parishes	8	103,081	176,346
Property studies and other	10	—	46,522
Administration fees	7	36,324	44,784
Audit fees		6,000	6,000
Interest forgiveness	9	1,334	1,262
		146,739	274,914
Deficiency of revenue over expenses		(901)	(144,396)

The accompanying notes and the schedule are an integral part of the financial statements.

The Anglican Diocese of Ottawa Extension Fund Incorporated

Statement of changes in net assets

Year ended December 31, 2017

	Internally		2017	2016
	Unrestricted	restricted		
	\$	\$	\$	\$
Net assets, beginning of year	4,789,654	53,478	4,843,132	5,971,270
Deficiency of revenue over expenses	(901)	—	(901)	(144,396)
Transfer from (to)				
Synod's Operations Fund	189,039	—	189,039	13,334
Synod's Operations Fund	—	—	—	(1,000,000)
Synod's Parish Managed Capital Assets Fund				2,924
Net assets, end of year	4,977,792	53,478	5,031,270	4,843,132

The accompanying notes and the schedule are an integral part of the financial statements.

The Anglican Diocese of Ottawa Extension Fund Incorporated

Statement of cash flows

Year ended December 31, 2017

	Notes	2017	2016
		\$	\$
Operating activities			
Deficiency of revenue over expenses		(901)	(144,396)
Changes in non-cash operating working capital items			
Accrued interest		275	3,412
		(626)	(140,984)
Repayment from St. Paul's, Shawville	3	34,862	—
Repayments received - mortgages and promissory notes		195,636	266,932
Advances - mortgages and promissory notes		(120,000)	—
		110,498	266,932
Financing activities			
Repayment of loan payable		—	88,138
Transfer from the Synod's Operations Fund	10	189,039	13,334
Transfer from the Synod's Parish Managed Capital Assets Fund	10	—	2,924
		189,039	104,396
Net increase in cash		298,911	230,344
Cash, beginning of year		1,253,551	1,023,207
Cash, end of year		1,552,462	1,253,551

The accompanying notes and the schedule are an integral part of the financial statements.

The Anglican Diocese of Ottawa Extension Fund Incorporated

Notes to the financial statements

December 31, 2017

1. Nature of activities

The Anglican Diocese of Ottawa Extension Fund Incorporated (the "Extension Fund"), a not-for-profit organization, was incorporated to promote the advancement and propagation of Christianity through the promotion of the work of the Anglican Church within the Diocese of Ottawa. The Extension Fund has been used to provide loan funding to parishes.

The Extension Fund is a registered charitable organization and is exempt from income taxes.

The Extension Fund is a controlled entity of The Incorporated Synod of the Diocese of Ottawa (the "Incorporated Synod"); as such, the Incorporated Synod includes the results of the Extension Fund in its consolidated financial statements.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit-organizations and include the following significant accounting policies:

Revenue recognition

The Extension Fund follows the deferral method of accounting for contributions. Unrestricted contributions to the Fund are recognized as revenue when received or when receipt is reasonably certain. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred.

Financial instruments

Financial instruments consist of cash, receivables, mortgages and promissory notes, accrued liabilities and loan payable. Financial assets and liabilities are initially recognized at fair value and subsequently are measured at amortized cost with the exception of cash, which is measured at fair value.

Related party transactions in the normal course of business are recorded at the exchange amount.

Capital management

The Extension Fund's capital consists of net assets. The Extension Fund has no externally imposed capital requirements.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates are used when accounting for items and matters such as the allowance for uncollectible accounts and impaired loans and receivables. Actual results could differ from these estimates.

The Anglican Diocese of Ottawa Extension Fund Incorporated

Notes to the financial statements

December 31, 2017

3. Due from St. Paul's, Shawville

In 2015, a loan was provided to St. Paul's Anglican Church, Shawville for \$123,000 as bridge financing until expected government funding was received. This loan was without repayment terms and without interest. The balance receivable from St. Paul's, as at December 31, 2017, is nil (\$34,862 in 2016) as the remaining balance was fully repaid during the year.

4. Due from St. James, Carleton Place

In 2013, the Extension Fund entered into a loan agreement with the Incorporated Synod for \$1,365,725, which is due on demand. This loan is to be used to upgrade St. James Anglican Church, Carleton Place. The balance receivable from St. James, Carleton Place is \$571,037 (\$721,369 in 2016) and the balance payable to the Incorporated Synod is \$571,037 (\$721,369 in 2016).

Interest is collected from St. James, Carleton Place and remitted directly to the Incorporated Synod. As the Fund is acting as an agent to this agreement, neither the interest revenue nor the expense have been recorded in these financial statements. The loan was recorded as a non-cash transaction by the Fund.

5. Due from the Incorporated Synod

A loan of \$186,411 (\$186,411 in 2016) due from the Incorporated Synod bears interest at 4% and is without fixed terms of repayment. Interest charged to the Incorporated Synod by the Extension Fund in 2017 totals \$7,457 (\$7,457 in 2016).

6. Deferred contributions

Deferred contributions consist of donations to be used towards the purchase or construction of a new church in Ottawa South. Deferred contributions totaling nil (nil in 2016) were recognized during the year.

7. Related party transactions

During the year, in addition to those related party transactions and balances disclosed elsewhere in these financial statements, the Extension Fund paid administration fees of \$36,324 (\$44,784 in 2016) based on 0.75% of the prior year's net asset balance to the Incorporated Synod.

The Extension Fund earned interest of \$6,977 (\$5,637 in 2016) from the Incorporated Synod during the year.

8. Contributions to parishes

In 2017, the Fund disbursed \$103,081 to the Parish of St. Margaret's, Vanier to cover the costs of the operational deficits until 2017, as agreed at the time of the sale of All Saints Sandy Hill (\$176,346 to the Parish of St. Margaret's, Vanier to cover the costs of the operational deficits until 2017, as agreed at the time of the sale of All Saints Sandy Hill in 2016).

The Anglican Diocese of Ottawa Extension Fund Incorporated

Notes to the financial statements

December 31, 2017

9. Forgiveness of interest

In 2011, the Board approved the deferral of the scheduled mortgage payments by St. Paul's Church, Kanata for the period from 2012 to 2016, as it is anticipated that contributions from the Parish's GIFT Campaign would be collected and applied against the Parish's mortgage principal. During the term of the GIFT Campaign, no interest will be charged on the loan to St. Paul's Church, Kanata. In 2017, \$3,786 (\$7,000 in 2016) of mortgage principal were applied against the loan.

In 2016, the board approved the deferral of scheduled mortgage payments by the Parish of Combermere. The current balance of the mortgage will be held but no interest will accumulate. This agreement will be reviewed every five years; if the parish rectory is sold the proceeds will be used to pay the outstanding mortgage. In 2017, an amount of \$1,334 was forgiven (\$1,262 in 2016).

10. Transfers

In 2017, the Extension Fund received transfers totalling \$189,039 from the Synod's Operations Fund related to proceeds from sale of non-parochial real property as follows:

- \$140,084 St. Matthias (Parkdale);
- \$34,033 Temple Pastures; and
- \$14,992 St. Marks (Cumberland).

In 2011, the Incorporated Synod approved the capital costs of revitalizing the church building of St. Alban the Martyr, Ottawa, as required to renovate the church. In 2012, the Extension Fund provided a loan of \$1,000,000 to the Synod's Operations Fund to finance the cost of the renovation. In 2016, the decision was made to treat the loan as a contribution, which was recorded as a transfer of net assets to the Synod's Operations Fund, thereby eliminating the \$1,000,000 receivable owed to the Extension Fund from the Synod's Operations Fund.

In addition, in 2016, the Extension Fund received the following transfers:

- \$13,334 from the Synod's Operations Fund related to the proceeds from the sale of a property Lot 2 Concession 10; and
- \$2,924 from the Synod's Parish Managed Capital Assets Fund related to a 10% share of proceeds from the sale of St. Paul's Hawkesbury.

In 2017, nil (\$100,000 in 2016) of unrestricted net assets was internally restricted for the purpose of funding studies on future property uses and site remediation. During the year, expenses of nil (\$46,522 in 2016) were incurred, thus leaving a balance of \$53,478 (\$53,478 in 2016) as internally restricted.

The Anglican Diocese of Ottawa Extension Fund Incorporated

Notes to the financial statements

December 31, 2017

11. Financial instruments

Credit risk

The Extension Fund provides credit to the Parishes in the normal course of business. In 2015, the Extension Fund provided a vendor take back mortgage to a third party. The Extension Fund performs ongoing credit evaluations and maintains allowances for potential credit losses, which to date, have been within the range of management's expectations.

The Extension Fund is exposed to credit risk in the event of non-performance by counterparties and to concentration risk due to the size of individual loan balances as a percentage of total outstanding loans with third parties as at December 31, 2017, as noted below:

- 29% (30% in 2016) St Helen's, Orleans;
- 22% (22% in 2016) Mayet Strategic Consulting Limited;
- 14% (18% in 2016) St. James, Carleton Place; and
- 14% (14% in 2016) St. Paul's Church, Kanata.

Fair value

The fair value of cash, receivables and accrued liabilities approximate their carrying value due to their short-term nature. The fair value of the Extension Fund's mortgages, promissory notes, and loans are not readily determinable at this time.

Fair values approximate amounts at which financial instruments could be exchanged between willing parties, based on current markets for instruments of the same risk, principal and remaining maturities. Fair values are based on estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates which reflect varying degrees of risk.

The Anglican Diocese of Ottawa Extension Fund Incorporated

Schedule

Year ended December 31, 2017

	Notes	Due date	Interest rate	Principal balance 2016	Principal		Principal balance 2017	
					Advances	repayments		
			%	\$	\$	\$	\$	
Mortgages and promissory notes								
Rector and Church Wardens of								
		St. Mark's, Cumberland	December 2008	4.00	6,549	—	6,549	—
	9	St. Paul's Church, Kanata	June 2009	—	566,002	—	3,786	562,216
		Christ Church, Bells Corners	June 2012	5.00	1,243	—	1,243	—
	9	Parish of Combermere	December 2012	4.00	33,362	—	—	33,362
		St. John's, South March	December 2015	4.00	263,148	—	16,154	246,994
		St. Mary Magdalene, Chelsea	December 2015	4.00	2,159	—	2,159	—
		Parish of North Gower	June 2016	4.00	23,276	—	2,800	20,476
		St. James, Perth	December 2017	4.00	28,896	—	7,763	21,133
		St. Barnabas, Deep River	June 2019	4.00	39,231	—	26,148	13,083
		St. John the Evangelist, Ottawa	December 2019	4.00	149,735	—	37,040	112,695
		Parish of Russell	March 2020	4.00	10,919	—	1,373	9,546
		Ascension, Ottawa	December 2020	4.00	144,299	—	7,666	136,633
		St Helen's, Orleans	December 2020	4.00	1,210,666	—	36,177	1,174,489
		Mayat Strategic Consulting (ASSH)	December 2020	4.00	897,435	—	23,559	873,876
		St. John the Evangelist, Ottawa	December 2020	4.00	—	80,000	—	80,000
		St. Barnabas, Deep River	June 2022	4.00	—	40,000	23,219	16,781
					3,376,920	120,000	195,636	3,301,284

The accompanying notes and the schedule are an integral part of the financial statements.