

Financial statements of

**The Anglican Diocese of Ottawa
Extension Fund Incorporated**

December 31, 2014

The Anglican Diocese of Ottawa Extension Fund Incorporated

December 31, 2014

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Deloitte LLP
1600 - 100 Queen Street
Ottawa ON K1P 5T8
Canada

Tel: (613) 236-2442
Fax: (613) 236-2195
www.deloitte.ca

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 (the "Extension Fund", which comprise the statement of financial position as at December 31, 2014, and the statements of revenue and expenses and changes in net assets and of 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 Extension Fund as at December 31, 2014, 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.

Deloitte LLP

Chartered Professional Accountants, Chartered Professional
Licensed Public Accountants

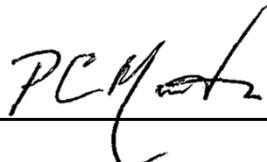
May 20, 2015

The Anglican Diocese of Ottawa Extension Fund Incorporated

Statement of financial position
as at December 31, 2014

	2014	2013
	\$	\$
Current assets		
Cash	1,878,751	1,872,416
Accrued interest	799	1,407
Due from St. James, Carleton Place (Note 3)	760,620	1,365,725
Due from the Synod (Note 4)	1,186,411	1,186,411
	3,826,581	4,425,959
Mortgages and promissory notes (Schedule)	1,510,124	1,498,600
	5,336,705	5,924,559
Current liabilities		
Accrued liabilities	6,000	7,000
Loan payable (Note 5)	-	17,222
Loan payable to the Synod (Note 3)	760,620	1,365,725
Deferred contributions (Note 6)	7,500	19,500
	774,120	1,409,447
Net assets	4,562,585	4,515,112
	5,336,705	5,924,559

Approved by the Board



Director



Director

The Anglican Diocese of Ottawa

Extension Fund Incorporated

Statement of revenue and expenses and changes in net assets
year ended December 31, 2014

	2014	2013
	\$	\$
Revenue		
Interest	54,572	50,356
Contributions	36,510	54,494
	91,082	104,850
Expenses		
Administration fees (Note 7)	33,864	33,660
Audit fees	6,000	6,000
Contributions to Parishes (Note 8)	17,458	38,000
	57,322	77,660
Excess of revenue over expenses	33,760	27,190
Net assets, beginning of year	4,515,112	4,487,922
Transfer from the Synod's Parish Managed Capital Asset Fund (Note 10)	13,713	-
Net assets, end of year	4,562,585	4,515,112

The Anglican Diocese of Ottawa

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Statement of cash flows
year ended December 31, 2014

	2014	2013
	\$	\$
Cash provided by (used in) operating activities		
Excess of revenue over expenses	33,760	27,190
Changes in non-cash operating working capital items		
Accrued interest	608	3,986
Deferred contributions	(12,000)	(38,000)
Accrued liabilities	(1,000)	310
	21,368	(6,514)
Cash provided by (used in) investing activities		
Advances made - mortgages	(392,250)	(30,000)
Repayments received - mortgages and promissory notes	380,726	223,504
Repayment of loan payable	(17,222)	-
	(28,746)	193,504
Cash provided by financial activities		
Transfer from the Synod's Parish Managed Capital Asset Fund (Note 10)	13,713	-
Net increase in cash	6,335	186,990
Cash, beginning of year	1,872,416	1,685,426
Cash, end of year	1,878,751	1,872,416

The Anglican Diocese of Ottawa

Extension Fund Incorporated

Notes to the financial statements

December 31, 2014

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 "Synod"); as such, the 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 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.

3. Due from St. James, Carleton Place

In 2013, the Extension Fund entered into a new loan agreement with the 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 \$760,620 (2013 - \$1,365,725) and the balance payable to the Synod is \$760,620 (2013 - \$1,365,735). Interest of \$13,000 for the year ended December 31, 2014 (2013 - \$13,000) was collected from St. James, Carleton Place and remitted directly to the Synod. As the Fund is acting as an agent to this agreement, neither the interest revenue nor the expense has been recorded in these financial statements. The loan was recorded as a non-cash transaction by the Fund.

The loan from St. James, Carleton Place will be converted to a mortgage in 2015.

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Notes to the financial statements

December 31, 2014

4. Due from the Synod

A loan of \$186,411 due from the Synod bears interest at 4% and is without fixed terms of repayment.

Interest charged to the Synod by the Extension Fund in 2014 totals \$7,457 (2013 - \$7,457).

In 2012, the Fund entered into a loan agreement with the Synod for \$1,000,000, which bears interest of \$1 per annum and is due on demand. This loan was used to upgrade St. Alban the Martyr Church, Ottawa. The loan has a balance of \$1,000,000 (2013 - \$1,000,000).

5. Loan payable

The loan payable to the Parish of North Dundas has a balance of \$NIL (2013 - \$17,222). No interest was expensed during the year as per the loan arrangement (2013 - \$NIL).

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 \$12,000 (2013 - \$38,000) were recognized during the year.

7. Related party transactions

In addition to those related party transactions and balances disclosed elsewhere in these financial statements, during the year, the Extension Fund paid administration fees of \$33,864 (2013 - \$33,660) based on .75% of the prior year's net asset balance to the Synod.

The Extension Fund earned interest of \$8,731 (2013 - \$8,982) from the Synod during the year.

8. Contributions to parishes

In 2014, the Fund disbursed \$12,000 to the Parish of Good Shepherd, Barrhaven to cover the costs of a property appraisal using designated contributions as disclosed in note 6) and \$5,458 to the Parish of North Dundas (St. Clare). In 2013, \$38,000 was disbursed to the Parish of Good Shepherd Barrhaven, using designated contributions as disclosed in note 6.

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 Campaign no interest will be charged on the loan to St. Paul's Church, Kanata. In 2014, \$106,254 (2013 - \$121,845) of mortgage principal was applied against the loan.

10. Transfers

In 2014, the Extension Fund received \$13,713 from the Synod's Parish Managed Capital Asset Fund related to a 10% share of proceeds from the sale of the Quyon property for a total of \$137,131 (2013 - \$NIL).

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Notes to the financial statements

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11. Financial instruments

Credit risk

The Extension Fund provides credit to the Parishes in the normal course of business. The Extension Fund performs ongoing credit evaluations of the Parishes 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 the loan balances with St. Paul's Church, Kanata, which represents 26% (2013 - 24%) and St. James, Carleton Place, which represents 33% (2013 - 48%) of the total balance of outstanding loans with third parties as at December 31, 2014.

Fair value

The fair value of the 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

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Mortgages and promissory notes - Schedule
year ended December 31, 2014

	Due date	Interest rate %	Principal balance 2013 \$	Advances \$	Principal repayments \$	Principal balance 2014 \$
Mortgages and promissory notes						
Rector and Church Wardens of						
St. Mark's, Cumberland	December 2008	4.00	25,222	-	1,818	23,404
St. Paul's Church, Kanata (Note 9)	June 2009	-	695,161	-	106,254	588,907
St. John's, South March	December 2010	4.00	304,820	-	13,030	291,790
St. Mary Magdalene, Chelsea #1	June 2011	4.00	1,764	-	1,764	-
St. Barnabas the Apostle, Ottawa #1	December 2011	4.50	40,598	-	40,598	-
Christ Church, Bells Corners	June 2012	5.00	28,470	-	8,635	19,835
Parish of Combermere	December 2012	4.00	43,392	-	5,875	37,517
St. Barnabas the Apostle, Ottawa #2	December 2013	4.00	95,538	-	95,538	-
St. James, Manotick	December 2013	4.00	93,072	-	7,629	85,443
Parish of North Gower	June 2016	4.00	80,310	-	46,294	34,016
St. Mary Magdalene, Chelsea #2	November 2017	4.00	11,300	-	1,607	9,693
St. James, Perth	December 2017	4.00	50,416	-	6,948	43,468
St. Mary's, Navan	December 2018	4.00	28,537	-	2,445	26,092
St. Barnabas, Deep River	June 2019	4.00	-	192,500	37,066	155,434
St. John the Evangelist, Ottawa	December 2019	4.00	-	176,000	4,456	171,544
Parish of Russell	June 2020	4.00	-	23,750	769	22,981
Total mortgages and promissory notes			1,498,600	392,250	380,726	1,510,124