

*Financial Statements of*

**THE CONSOLIDATED TRUST FUND  
OF THE INCORPORATED SYNOD OF  
THE DIOCESE OF OTTAWA**

*December 31, 2009*



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## Auditors' Report

To the Members of  
The Incorporated Synod of the Diocese of Ottawa

We have audited the balance sheet of the Consolidated Trust Fund of The Incorporated Synod of the Diocese of Ottawa as at December 31, 2009 and the statement of revenue, expenses and distributions for the year then ended. These financial statements are the responsibility of the Synod's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report, that in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*Deloitte & Touche LLP*

Chartered Accountants  
Licensed Public Accountants

April 1, 2010

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**Statement of Revenue, Expenses and Distributions**  
year ended December 31, 2009

	<u>2009</u>	<u>2008</u>
Revenue		
Interest and dividends	\$ 881,370	\$ 884,533
Change in market value of investments		
Current year increase (decrease) in market value of investments	2,352,810	(3,849,280)
Expenses		
Administration fees (Note 6)	261,148	294,492
Investment management and custodial fees	228,867	196,265
	490,015	490,757
Excess (deficiency) of revenue over expenses before distributions	2,744,165	(3,455,504)
Distributions		
Dividends to Unit holders (Note 5)	1,186,019	1,267,886
Increase (decrease) in Unit holder capital	1,558,146	(4,723,390)
	2,744,165	(3,455,504)
<b>EXCESS OF REVENUE OVER EXPENSES AND DISTRIBUTIONS</b>	<b>\$ -</b>	<b>\$ -</b>

# THE CONSOLIDATED TRUST FUND OF THE INCORPORATED SYNOD OF THE DIOCESE OF OTTAWA

## Notes to the Financial Statements year ended December 31, 2009

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### 1. NATURE OF ACTIVITIES

The Consolidated Trust Fund (CTF) of the Incorporated Synod of the Diocese of Ottawa (the Incorporated Synod) is a separate fund of the Anglican Church in the Ottawa Diocese. CTF holds and manages investments for parishes, the Incorporated Synod, third parties and for various cemeteries.

The Incorporated Synod is a registered charitable organization and is exempt from income taxes.

### 2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) and include the following significant accounting policies:

#### *Change in accounting policy*

In September 2008, the Canadian Institute of Chartered Accountants (CICA) issued amendments to several of the existing sections in the 4400 series - *Financial Statements by Not-For-Profit Organizations* which were effected for fiscal years beginning on or after January 1, 2009. Accordingly, the CTF adopted the amended standards for its fiscal year beginning January 1, 2009. The amendments include: a) additional guidance in the applicability of Section 1100, *Generally Accepted Accounting Principles*; b) removal of the requirement to report separately net assets invested in capital assets; c) requirement to disclose revenues and expenses in accordance with EIC 123, *Reporting Revenue Gross as a Principal Versus Net as an Agent*; d) requirement to include a statement of cash flows in accordance with Section 1540, *Cash Flow Statements*; e) requirement to apply Section 1751, *Interim Financial Statements*, when preparing interim financial statements in accordance with GAAP; f) requirement for not-for-profit organizations that recognize capital assets to depreciate and assess these capital assets for impairment in the same manner as other entities reporting on a GAAP basis; g) requirement to disclose related party transactions in accordance with Section 3840, *Related Party Transactions*; and h) new disclosure requirements regarding the allocation of fundraising and general support costs.

The CICA issued amendments to Section 1000, *Financial Statement Concepts*, to clarify the criteria for recognizing an asset.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Change in accounting policy*

As of January 2009, the Emerging Issues Committee (EIC) issued EIC 173, *Credit Risk and the Fair Value of Financial Assets and Liabilities*. This EIC requires that an entity's own credit risk and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and liabilities, including derivative instruments.

These changes did not have an impact on the financial statements.

*Financial instruments*

All financial assets are required to be classified as either held-for-trading, held-to-maturity investments, loans and receivables or as available-for-sale. All financial liabilities are required to be classified as held for trading or as other liabilities.

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the CTF's designation of said instruments at the time of initial recognition. Settlement date accounting is used. Interest is calculated using the effective interest rate method.

Classification made the CTF:

Cash	Held-for-trading
Investments	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities

*Held-for-trading*

These financial assets are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in the statement of revenue, expenses and distributions.

*Loans and receivables*

These financial assets are measured at amortized cost using the effective interest rate method, less any impairment.

Related party receivables are recorded at exchange amounts.

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial instruments (Continued)*

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest rate method and include all financial liabilities other than derivative instruments.

*Foreign currency*

Transactions denominated in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the dates of the transactions. Investments and cash balances denominated in foreign currencies are translated at the rates in effect at year-end. Resulting gains or losses from changes in these rates are included in investment earnings.

*Use of estimates*

The preparation of financial statements in conformity with Canadian GAAP 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. Significant areas requiring the use of management's estimates include the collectible amounts of receivables, valuation of investments, and the amount of accrued liabilities. Actual results could differ from these estimates.

*Capital*

CTF's objective in managing capital is disclosed in Note 1. Capital consists of the Unit holder capital. CTF has complied with all externally imposed capital restrictions.

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**3. INVESTMENTS**

Investments are summarized as follows:

	<u>Fair Value</u>	
	<u>2009</u>	<u>2008</u>
Cash	\$ 1,411,085	\$ 1,172,290
Fixed income	12,007,464	12,081,907
Equities	14,624,381	11,746,084
	<u>\$ 28,042,930</u>	<u>\$ 25,000,281</u>

*Determination of fair values*

Fixed income consists of debt obligations of governments and corporate bodies paying interest at rates appropriate to the market at the date of their purchase. Bonds are recorded at prices based upon published market quotations.

Equities consist of listed securities recorded at prices based upon public market quotations.

*Investment risk*

Investment in financial instruments renders CTF subject to investment risks. These include the risks arising from changes in interest rates, in rates of exchange for foreign currency, and in equity markets both domestic and foreign. They also include the risks arising from the failure of a counterparty to a financial instrument to discharge an obligation when it is due.

CTF has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of CTF are designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments. The maximum investment risk to CTF is represented by the fair value of the investments.

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**3. INVESTMENTS (Continued)**

a) Concentration risk

Concentration risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. The relative proportions of the types of investments, in the portfolio are as follows:

	<u>% of Fair Value</u>	
	<u>2009</u>	<u>2008</u>
Cash	<u>5</u>	<u>5</u>
Fixed income		
Government of Canada	21	22
Corporate	6	9
Provinces of Canada	<u>16</u>	<u>18</u>
	<u>43</u>	49
Equities		
Canadian	<u>33</u>	<u>28</u>
Foreign		
U.S.	8	6
International	<u>11</u>	<u>12</u>
	<u>19</u>	<u>18</u>
	<u>100</u>	<u>100</u>

b) Foreign currency risk

Foreign currency exposure arises from CTF's holdings of non-Canadian denominated investments, which as noted above represented 19% (2008 - 18%) of the total portfolio.

c) Interest rate risk

The bonds mature on a staggered basis over the next 28 years. Effective interest rates to maturity for these securities range from 3.60% to 6.375%.

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**4. UNIT HOLDER CAPITAL**

Changes in the Unit holder capital balance during the year were as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	\$ 26,114,752	\$ 29,449,089
Issuance of units	1,251,957	2,419,458
Redemption of units	(1,089,173)	(1,030,405)
Increase (decrease) in unit value	<u>1,558,146</u>	<u>(4,723,390)</u>
Ending balance	<u>\$ 27,835,682</u>	<u>\$ 26,114,752</u>
Units outstanding at year end	1,490,985	1,481,443
Value per unit	\$ 18.67	\$ 17.63

During the year, 68,438 units were issued and 58,896 were redeemed (2008 - 127,422 issued, 49,283 redeemed).

Amounts held in trust as at December 31, 2009 were as follows:

Parish	\$ 10,654,393	\$ 10,001,975
Synod	9,665,825	8,707,152
Rectory	5,238,771	5,173,849
Clergy Retirement Allowance Fund	1,072,679	1,122,002
Cemetery	759,520	703,085
Third Parties	<u>444,494</u>	<u>406,689</u>
	<u>\$ 27,835,682</u>	<u>\$ 26,114,752</u>

**5. DIVIDENDS**

During the year, an annual dividend of \$0.80 (2008 - \$0.90) was declared and payable per outstanding unit on a quarterly basis.

**6. RELATED PARTY TRANSACTIONS**

Administration fees of \$261,148 (2008 - \$294,492) were charged by the Synod based on 1% of the closing unit holder capital of the preceding year.

**7. STATEMENT OF CASH FLOWS**

A statement of cash flows has not been prepared as information relating to cash flows is otherwise adequately disclosed.