

*Financial Statements of*

**THE ANGLICAN DIOCESE  
OF OTTAWA  
EXTENSION FUND INCORPORATED**

*December 31, 2010*

**THE ANGLICAN DIOCESE OF OTTAWA  
EXTENSION FUND INCORPORATED**  
**Financial Statements**  
**December 31, 2010**

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**THE ANGLICAN DIOCESE OF OTTAWA  
EXTENSION FUND INCORPORATED**

(Incorporated under the laws of Ontario)

**Balance Sheet**

as at December 31, 2010

	<u>2010</u>	<u>2009</u>
<b>ASSETS</b>		
Cash	\$ 1,249,051	\$ 2,179,884
Accrued interest	596	2,933
HST Receivable	242	-
Due From Barrhaven Ministry (Note 3)	15,128	15,128
Due from the Synod (Note 4)	186,411	186,411
Mortgages and promissory notes (Schedule 1)	1,932,758	2,112,958
	<u>\$ 3,384,186</u>	<u>\$ 4,497,314</u>
<b>LIABILITIES</b>		
Accrued liabilities	\$ 2,242	\$ 5,832
Loan payable (Note 5)	17,222	17,222
Deferred contributions (Note 6)	57,500	57,500
	76,964	80,554
<b>NET ASSETS</b>	<u>3,307,222</u>	<u>4,416,760</u>
	<u>\$ 3,384,186</u>	<u>\$ 4,497,314</u>

APPROVED BY THE BOARD

+ [Signature] Director

[Signature] Director

**THE ANGLICAN DIOCESE OF OTTAWA  
EXTENSION FUND INCORPORATED**

**Statement of Revenue and Expenses and Changes in Net Assets  
year ended December 31, 2010**

	<u>2010</u>	<u>2009</u>
Revenue		
Contributions	\$ 8,725	\$ 5,300
Interest	98,800	104,177
	<hr/> 107,525	<hr/> 109,477
Expenses		
Administration fees (Note 7)	33,124	30,060
Audit fees	5,000	5,830
Contribution to Parish (Note 8)	38,519	-
Forgiveness of interest (Note 9)	41,219	42,921
Interest (Note 5)	689	1,708
	<hr/> 118,551	<hr/> 80,519
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(11,026)	28,958
NET ASSETS, BEGINNING OF YEAR	4,416,760	4,007,900
Transfer from the Synod's Parish Managed Capital Asset Fund (Note 11)	111,777	749,854
Transfer to the Synod's Parish Managed Capital Assets Fund (Note 11)	(21,500)	-
Transfer (to) from the Synod's Second Century Fund (Note 11)	10,750	(374,927)
Transfer to the Synod's Operations Fund (Note 11)	(1,200,000)	-
Transfer from the Synod's Operations Fund (Note 11)	461	4,975
NET ASSETS, END OF YEAR	<hr/> \$ 3,307,222	<hr/> \$ 4,416,760

**THE ANGLICAN DIOCESE OF OTTAWA  
EXTENSION FUND INCORPORATED**

**Statement of Cash Flows**  
year ended December 31, 2010

	<u>2010</u>	<u>2009</u>
<b>CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Excess (deficiency) of revenue over expenses	\$ (11,026)	\$ 28,958
Changes in non-cash operating working capital items		
Accrued interest	2,337	1,359
Accounts receivable	(242)	(15,128)
Accrued liabilities	(3,590)	682
	<u>(12,521)</u>	<u>15,871</u>
<b>CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>		
Advances made - mortgages and promissory notes	(77,400)	(75,000)
Repayments received - mortgages and promissory notes	257,600	140,367
	<u>180,200</u>	<u>65,367</u>
<b>CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>		
Repayments - loan payable	-	(71,423)
Net transfer from the Synod's Parish Managed Capital Asset Fund (Note 11)	90,277	749,854
Transfer (to) from the Second Century Fund (Note 11)	10,750	(374,927)
Transfer (to) from the Synod's Operations Fund (Note 11)	(1,199,539)	4,975
	<u>(1,098,512)</u>	<u>308,479</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(930,833)</b>	<b>389,717</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>2,179,884</b>	<b>1,790,167</b>
<b>CASH, END OF YEAR</b>	<b>\$ 1,249,051</b>	<b>\$ 2,179,884</b>

# THE ANGLICAN DIOCESE OF OTTAWA EXTENSION FUND INCORPORATED

## Notes to the Financial Statements

year ended December 31, 2010

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### 1. NATURE OF ACTIVITIES

The Anglican Diocese of Ottawa Extension Fund Incorporated (the "Extension Fund"), a not-for-profit organization, was incorporated to provide loan funding to parishes of the Anglican Diocese of Ottawa for capital activities.

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 generally accepted accounting principles (GAAP) and include the following significant accounting policies:

#### *Future accounting changes*

In 2010, the Canadian Institute of Chartered Accountants (CICA) issued a new accounting framework applicable to Canadian not-for-profit organizations. Effective for fiscal years beginning on or after January 1, 2012, not-for-profit organizations may adopt either International Financial Reporting Standards or GAAP for not-for-profit organizations. The Extension Fund currently plans to adopt GAAP for not-for-profit organizations effective January 1, 2012.

#### *Financial instruments*

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

The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Extension Fund's designation of said instruments and is determined at the time of initial recognition. Settlement date accounting is used and transaction costs related to investments are expensed as incurred. Interest is calculated using the effective interest rate method.

**THE ANGLICAN DIOCESE OF OTTAWA  
EXTENSION FUND INCORPORATED**  
**Notes to the Financial Statements**  
year ended December 31, 2010

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

*Financial instruments (Continued)*

Classifications made by the Extension Fund:

Cash and cash equivalents	Held-for-trading
Mortgages, promissory notes, accrued interest, receivable, and due from the Synod	Loans and receivables
Accounts payable and loan payable	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 investment revenue.

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 the exchange amounts.

Other liabilities

These financial liabilities are recorded at amortized cost using the effective interest rate method.

Related party liabilities are recorded at the exchange amount.

*Revenue recognition*

The Extension Fund follows the deferred 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.

Investment revenue is included in the Statement of Revenue and Expenses and includes interest income and realized gains and losses on disposal of assets classified as available-for-sale. Unrealized gains and losses on available-for-sale financial assets are included directly in net assets until disposal or impairment of the asset. At that time, the related gains and losses are reclassified and included in the Statement of Revenue and Expenses as investment revenue.

# THE ANGLICAN DIOCESE OF OTTAWA EXTENSION FUND INCORPORATED

Notes to the Financial Statements  
year ended December 31, 2010

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *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. 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.

### *Capital*

The Extension Fund's capital consist of net assets. The policy of the Extension Fund is to use this capital to provide loans to parishes for construction of new buildings, and the expansion or renovation of existing buildings. The Extension Fund has no externally imposed capital requirements.

## 3. DUE FROM BARRHAVEN MINISTRY

The Incorporated Synod of the Diocese of Ottawa has entered into an agreement with the Eastern Synod of the Evangelical Lutheran Church in Canada (ELCIC) for a joint ministry in Barrhaven. A new parish has been formed and is called Good Shepherd, Barrhaven. The initial costs of establishing the new parish, and purchasing land for a new church building, will be shared between the Anglican and Lutheran Synods, pending the formation of a separately incorporated entity which is being created for the sole purpose of holding the property and building of the church. An amount of \$10,000, which was advanced by the Extension Fund to secure a bid on the property, will be reimbursed once the new entity is fully registered. An additional amount of \$5,128 was spent for various expenses related to the land purchase, which will be recovered from the Good Shepherd, Barrhaven Parish. The amounts owing do not bear interest and are without fixed terms of repayment.

## 4. DUE FROM THE SYNOD

The amount due from the Incorporated Synod of the Diocese of Ottawa bears interest at 4% and is without fixed terms of repayment

Interest charged by the Extension Fund in 2010 totals \$7,456 (2009 - \$7,456).

# **THE ANGLICAN DIOCESE OF OTTAWA EXTENSION FUND INCORPORATED**

## **Notes to the Financial Statements year ended December 31, 2010**

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### **5. LOAN PAYABLE**

The loan payable to the Parish of North Dundas has a balance of \$17,222 (2009 - \$17,222) and is repayable on demand. Total interest expense during the year was \$689 (2009 - \$1,708).

### **6. DEFERRED CONTRIBUTIONS**

Deferred contributions consist of donations to be used towards the purchase or construction of a new church in Ottawa South.

### **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 \$33,124 (2009 - \$30,060) to the Incorporated Synod of the Diocese of Ottawa.

The Extension Fund earned interest of \$8,298 (2009 - \$9,403) from the Synod and \$2,477 (2009 - \$NIL) from the Consolidated Trust Fund on excess cash in its bank account utilized by the respective parties.

### **8. CONTRIBUTION TO PARISH**

The Synod disbursed \$38,519 to the Parish of Fitzroy Harbour representing the proceeds from the sale of Parish Property.

### **9. FORGIVENESS OF INTEREST**

The interest on loans to the St. Paul's Church, Kanata, of \$40,842 (2009 - \$42,921) and St. Bede's Nolan's Corner of \$377 (2009 - \$NIL) were waived.

### **10. COMMITMENTS**

The Extension Fund has committed to ALM Charitable Properties, a contribution of \$500,000 to be provided in 2011 for the purchase of land for future construction of a new church.

# THE ANGLICAN DIOCESE OF OTTAWA EXTENSION FUND INCORPORATED

## Notes to the Financial Statements

year ended December 31, 2010

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### 11. TRANSFERS

In 2010, the Extension Fund received \$111,777 from the Synod's Parish Managed Capital Asset Fund related to the Sale of Camp Clarendon and St Paul's Diamondview. The Extension Fund also received \$461 from the Synod's Operations Fund related to undesignated contributions received during the year. In addition, due to an additional cost on the sale of the Church of St. James, Hull Parish, the Extension Fund transferred \$21,500 to the Parish Managed Capital Asset Fund. The Synod Second Century Fund transferred to the Extension Fund \$10,750 related to additional costs of the sale of the Church of St. James, Hull Parish which occurred in 2009. The Extension Fund transferred \$1,200,000 to the Operations Fund as approved by the Finance Council to reduce bank indebtedness.

In 2009, the Extension Fund received \$749,854 from the Synod's Parish Managed Capital Asset Fund related to the sale of the Church of St. James, Hull Parish of which \$374,927 was transferred to the Second Century Fund. The Extension Fund also received \$4,975 from the Synod's Operations Fund related to undesignated contributions received during the year.

### 12. 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 50% (2009 - 50%) of the total balance of outstanding loans as at December 31, 2010.

#### *Fair value*

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

**THE ANGLICAN DIOCESE OF OTTAWA**  
**EXTENSION FUND INCORPORATED**  
**Mortgages and Promissory Notes**  
year ended December 31, 2010

	Due Date	Interest Rate %	Principal Balance 2009	Advances	Principal Repayments	Principal Balance 2010
<b>MORTGAGES</b>						
Rector and Church Wardens of						
St. John the Evangelist, Ottawa	December 2006	4.00	\$ 74,167	\$ -	\$ 35,465	\$ 38,702
St. Mark's, Cumberland	December 2008	4.00	32,146	-	1,887	30,259
St. Paul's Church, Kanata #2	June 2009	4.00	975,244	-	-	975,244
St. Paul's Church, Kanata #1	December 2009	5.50	34,743	-	34,743	-
St. John's, South March	December 2010	4.00	357,805	-	10,713	347,092
St. Mary Magdalene	June 2011	4.00	28,213	-	937	27,276
St. Barnabas the Apostle, Ottawa #1	December 2011	4.50	73,562	-	5,424	68,138
Christ Church, Bells Corners	June 2012	5.00	20,219	-	9,080	11,139
Parish of Combermere	December 2012	4.00	64,529	-	5,086	59,443
St. Barnabas the Apostle, Ottawa #2	December 2013	4.00	107,272	-	2,743	104,529
St. Helen's, Orleans	December 2013	4.00	119,050	-	39,874	79,176
St. James, Manotick	December 2013	4.00	121,008	-	6,648	114,360
St. Bede's Nolan's Corners	December 2014	4.00	65,000	-	65,000	-
Parish of North Gower	June 2016	4.00	-	77,400	-	77,400
			2,072,958	77,400	217,600	1,932,758
<b>PROMISSORY NOTES</b>						
Rector and Church Wardens of						
St. Paul's Church, Kanata #3	On demand	5.00	40,000	-	40,000	-
<b>TOTAL MORTGAGES AND PROMISSORY NOTES</b>			<b>\$ 2,112,958</b>	<b>\$ 77,400</b>	<b>\$ 257,600</b>	<b>\$ 1,932,758</b>