

**The Church Society of the  
Diocese of Quebec**

Financial Statements  
**December 31, 2019**

**DRAFT**

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

## *Independent auditor's report*

To the Members of  
The Church Society of the Diocese of Quebec

---

### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Church Society of the Diocese of Quebec (the Church Society) as at December 31, 2019 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.

#### **What we have audited**

The Church Society's financial statements comprise:

- the statement of financial position as at December 31, 2019;
  - the statement of changes in net assets for the year then ended;
  - the statements of revenue and expenditure for the year then ended;
  - the statement of cash flows for the year then ended; and
  - the notes to financial statements, which include a summary of significant accounting policies.
- 

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

#### **Independence**

We are independent of the Church Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

---

---

## *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the 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 Church Society'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 Church Society or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Church Society'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 Church Society'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 Church Society'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 Church Society 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.

Québec, Quebec  
April 28, 2020

---

<sup>1</sup> CPA auditor, CA, public accountancy permit No. Axxxxxx

# The Church Society of the Diocese of Quebec

## Statement of Financial Position

As at December 31, 2019

	2019		2018	
	Operating Fund \$	Capital Assets Fund \$	Total \$	Total \$
<b>Assets</b>				
<b>Current assets</b>				
Accounts receivable, net of an allowance for doubtful accounts of \$94,958 (\$76,651 in 2018)	178,414	-	178,414	75,938
Due from The Synod of the Anglican Church in the Diocese of Quebec	80,591	-	80,591	317,102
Due from The Church Society of the Diocese of Quebec – Funds Under Management: Pooled Funds	-	-	-	78,135
Due from The Lord Bishop of Quebec, Corporation Sole	54,755	-	54,755	54,233
Current portion of advances receivable (note 4)	50,552	-	50,552	15,482
	364,312	-	364,312	540,890
<b>Marketable investments</b> (notes 3, 9 and 11)	3,095,816	-	3,095,816	2,500,366
<b>Net defined severance plan assets</b> (note 11)	291,819	-	291,819	250,798
<b>Advances receivable</b> (note 4)	44,639	-	44,639	95,132
<b>Capital assets</b> (note 5)	-	897,199	897,199	935,382
	3,796,586	897,199	4,693,785	4,322,568

### Approved

\_\_\_\_\_  
President

\_\_\_\_\_  
Treasurer

The accompanying notes are an integral part of these financial statements.  
**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**  
**NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Statement of Financial Position ... *continued*

As at December 31, 2019

	2019		2018	
	Operating Fund \$	Capital Assets Fund \$	Total \$	Total \$
<b>Liabilities and Net Assets</b>				
<b>Current liabilities</b>				
Cash indebtedness (note 6)	34,938	-	34,938	71,382
Accounts payable (note 7)	143,837	-	143,837	32,992
Demand loans (note 8)		164,964	164,964	191,558
Current portion of long-term debt (note 9)	44,662	-	44,662	42,879
	223,437	164,964	388,401	338,811
<b>Long-term debt</b> (note 9)	284,905	-	284,905	329,560
<b>Deferred contributions</b> (note 10)	-	461,681	461,681	478,854
	508,342	626,645	1,134,987	1,147,225
<b>Net assets</b>				
Externally unrestricted reserves	145,443	-	145,443	398,319
Internally restricted reserves	3,141,945	-	3,141,945	2,503,899
Externally restricted reserves	856	-	856	8,155
Capital Assets Fund	-	270,554	270,554	264,970
	3,288,244	270,554	3,558,798	3,175,343
	3,796,586	897,199	4,693,785	4,322,568
<b>Commitments</b> (note 13)				
<b>Subsequent event</b> (note 14)				

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**  
 The accompanying notes are an integral part of these financial statements.  
**NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

## Statement of Changes in Net Assets

For the year ended December 31, 2019

	Balance – January 1, 2019 \$	Inter-fund transfers \$	Excess of revenue over expenditure (expenditure over revenue) \$	Severance plan revaluation \$	Balance – December 31, 2019 \$
<b>Externally unrestricted reserves</b>					
The Sabbaton Administration Fund	398,319	(144,158)	(108,718)	-	145,443
<b>Internally restricted reserves</b>					
Mission Funds	-	(67,779)	67,779	-	-
Episcopal & Administration Funds	-	(93,685)	93,685	-	-
Program Funds	-	(5,665)	5,665	-	-
Pension Funds	(298,189)	-	10,804	(2,782)	(290,167)
St. Matthew's	-	(4,564)	4,564	-	-
Gaspé Deanery Council	-	(1,445)	1,445	-	-
East Angus Funds	-	(2,519)	2,519	-	-
Chaplaincy Fund	-	(5,296)	5,296	-	-
Fort Haldimand	-	-	2,179	-	2,179
St. Laurent Deanery Council	-	(1,661)	1,661	-	-
Archdeacon of the North Shore	-	(1,661)	1,661	-	-
Responsibility Allowances	-	(6,308)	6,308	-	-
Ministry Development Fund	-	-	-	-	-
Pooled Funds	2,802,088	317,302	310,543	-	3,429,933
	2,503,899	126,719	514,109	(2,782)	3,141,945
<b>Externally restricted reserves</b>					
Miscellaneous Cemetery Fund	6,033	-	(7,362)	-	(1,329)
North Shore Deanery Funds	-	(15,882)	15,882	-	-
Life Membership Fund	200	(1,669)	1,469	-	-
Education Fund	1,922	-	263	-	2,185
	8,155	(17,551)	10,252	-	856
<b>Capital Assets Fund</b>	264,970	34,990	(29,406)	-	270,554
<b>Net assets</b>	3,175,343	-	386,237	(2,782)	3,558,798

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**

The accompanying notes are an integral part of these financial statements.

**NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

## Statement of Revenue and Expenditure

For the year ended December 31, 2019

	Externally unrestricted reserves	Internally restricted reserves	Internally restricted reserves	Externally restricted Funds	Capital Asset Funds	Inter-fund transfers	2019 \$	2018 \$
	The Sabbath Administration Fund \$	The Ministry Funds \$	The Pooled Funds \$	\$	\$	\$		
<b>Revenue</b>								
Interest on advances receivable	4,077	-	-	-	-	-	4,077	4,769
Management fees as fund manager of the Pooled Funds	322,043	-	-	-	-	-	322,043	321,421
Administrative income	11,658	-	-	-	-	-	11,658	12,620
Charitable gifts	37,789	-	-	-	-	-	37,789	17,156
Membership income	320	-	-	-	-	-	320	460
Rental income from Sherbrooke condo	6,300	-	-	-	-	-	6,300	6,300
Sundry income	2,001	-	-	-	-	-	2,001	2,001
Distributed revenue from Pooled Funds	-	213,360	234,125	20,765	-	(234,125)	234,125	449,852
Contribution from St. Michael's trustees	-	2,741	-	-	-	-	2,741	3,442
Change in fair value of marketable investments	-	-	310,543	-	-	-	310,543	(344,116)
Amortization of deferred contributions	-	-	-	-	17,173	-	17,173	17,173
	<b>384,188</b>	<b>216,101</b>	<b>544,668</b>	<b>20,765</b>	<b>17,173</b>	<b>(234,125)</b>	<b>948,770</b>	<b>491,078</b>
<b>Expenditure</b>								
Insurance	11,667	-	-	-	-	-	11,667	11,411
Interests	21,844	-	-	-	8,396	-	30,240	24,927
Staff salary and benefits	122,017	-	-	-	-	-	122,017	121,108
Professional fees	39,903	-	-	-	-	-	39,903	40,578
Doubtful accounts	18,307	-	-	-	-	-	18,307	16,548
Grants to Synod, ministry, parishes	215,776	2,109	-	1,750	-	-	219,635	190,357
Gifts	37,254	9,723	-	-	-	-	46,977	47,562
Building and maintenance costs	7,124	-	-	8,763	-	-	15,887	14,653
Meeting, postage and administrative costs and sundry expenses	9,014	-	-	-	-	-	9,014	7,438
Contribution to Jeffery Hale Community Partners	10,000	-	-	-	-	-	10,000	10,000
Pledged portion of The Sabbathon bequest & Dean of Quebec	-	703	-	-	-	-	703	702
Distributed funds by Pooled Funds	-	-	234,125	-	-	(234,125)	-	224,926
Depreciation of capital assets	-	-	-	-	38,183	-	38,183	38,332
	<b>492,906</b>	<b>12,535</b>	<b>234,125</b>	<b>10,513</b>	<b>46,579</b>	<b>(234,125)</b>	<b>562,533</b>	<b>748,542</b>
<b>Excess of revenue over expenditure (expenditure over revenue) for the year</b>	<b>(108,718)</b>	<b>203,566</b>	<b>310,543</b>	<b>10,252</b>	<b>(29,406)</b>	<b>-</b>	<b>386,237</b>	<b>(257,464)</b>

The accompanying notes are an integral part of these financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**



# The Church Society of the Diocese of Quebec

## Operating Fund

### Externally Unrestricted Reserves – The Sabbaton Administration Fund

#### Statement of Revenue and Expenditure

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>Revenue</b>		
Interest on advances receivable	4,077	4,769
Management fees as fund manager of the Pooled Funds	322,043	321,421
Administrative income	11,658	12,520
Charitable gifts	37,789	17,156
Membership income	320	460
Rental income from Sherbrooke condo	6,300	6,300
Sundry income	2,001	2,001
	384,188	364,627
<b>Expenditure</b>		
Insurance	11,667	11,411
Interest on long-term debt	14,183	12,128
Interest on line of credit	7,661	3,879
Staff salary and benefits	122,017	121,108
Professional fees	39,903	40,578
Doubtful accounts	18,307	16,548
Grant to The Synod of the Anglican Church in the Diocese of Quebec	184,069	184,069
Grant to ministry support	9,059	-
Grants to parishes	22,648	-
Gift to The Lord Bishop of Quebec, Corporation Sole	15,000	12,000
Gift to Chaplaincy at Bishop's University	17,500	17,500
Gift to parish funds	4,754	7,173
Building and maintenance costs	7,124	14,653
Meeting, postage and administrative costs and sundry expenses	9,014	7,438
Contribution to Jeffery Hale Community Partners	10,000	10,000
	492,906	458,485
<b>Excess of expenditure over revenue for the year</b>	(108,718)	(93,858)

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**

The accompanying notes are an integral part of these financial statements

**NOT TO BE FURTHER COMMUNICATED**

# DRAFT

## The Church Society of the Diocese of Quebec

Operating Fund

Internally Restricted Reserves

The Ministry Funds

Statement of Revenue and Expenditure

For the year ended December 31, 2019

	Mission Funds \$	Episcopal & Administration Funds \$	Program Funds \$	Pension Funds \$	St. Matthew's \$	Gaspé Deanery Council \$	East Angus Funds \$	Total 2019 \$ (forward)
<b>Revenue</b>								
Distributed revenue from Pooled Funds	67,779	94,388	5,665	17,786	4,564	1,445	2,519	194,146
Contribution from St. Michael's trustees	-	-	-	2,741	-	-	-	2,741
	67,779	94,388	5,665	20,527	4,564	1,445	2,519	196,887
<b>Expenditure</b>								
Disbursements	-	-	-	-	-	-	-	-
Pledged portion of Sabbaton bequest & Dean of Quebec	-	703	-	-	-	-	-	703
Supplementary gifts	-	-	-	9,723	-	-	-	9,723
	-	703	-	9,723	-	-	-	10,426
<b>Excess of revenue over expenditure for the year</b>	<b>67,779</b>	<b>93,685</b>	<b>5,665</b>	<b>10,804</b>	<b>4,564</b>	<b>1,445</b>	<b>2,519</b>	<b>186,461</b>

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**

The accompanying notes are an integral part of these financial statements.

**NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Operating Fund

Internally Restricted Reserves ... *continued*

The Ministry Funds

Statement of Revenue and Expenditure

For the year ended December 31, 2019

	Total 2019 \$ (brought forward)	Chaplaincy Fund \$	Fort Haldimand \$	St. Laurent Deanery Council \$	Archdeacon of the Lower North Shore \$	Responsibility Allowance \$	Ministry Development Fund \$	Total 2019 \$	Total 2018 \$
<b>Revenue</b>									
Distributed revenue from Pooled Funds	194,146	5,296	2,179	1,661	1,661	6,308	2,109	213,360	204,301
Contribution from St. Michael's trustees	2,741	-	-	-	-	-	-	2,741	3,442
	196,887	5,296	2,179	1,661	1,661	6,308	2,109	216,101	207,743
<b>Expenditure</b>									
Grants	-	-	-	-	-	-	2,109	2,109	4,288
Pledged portion of Sabbaton bequest & Dean of Quebec	703	-	-	-	-	-	-	703	702
Supplementary gifts	9,723	-	-	-	-	-	-	9,723	10,889
	10,426	-	-	-	-	-	2,109	12,535	15,879
<b>Excess of revenue over expenditure for the year</b>	186,461	5,296	2,179	1,661	1,661	6,308	-	203,566	191,864

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**

The accompanying notes are an integral part of these financial statements.

**NOT TO BE FURTHER COMMUNICATED**

**The Church Society of the Diocese of Quebec**  
 Operating Fund – Internally and Externally Restricted Reserves  
 Statement of Revenue and Expenditure  
 For the year ended December 31, 2019

**Internally Restricted Reserves – Pooled Funds**

	2019 \$	2018 \$
<b>Revenue</b>		
Distributed revenue from Pooled Funds	234,125	224,926
Change in fair value of marketable investments	310,543	(344,116)
	544,668	(119,190)
<b>Expenditure</b>		
Amounts distributed	234,125	224,926
	310,543	(344,116)
<b>Excess of revenue over expenditure (expenditure over revenue) for the year</b>	310,543	(344,116)

**Externally Restricted Funds**

	Miscellaneous Cemetery Fund \$	North Shore Deanery Funds \$	Life Membership Fund \$	Education Fund \$	Total 2019 \$	Total 2018 \$
<b>Revenue</b>						
Distributed revenue from Pooled Funds	1,401	15,882	1,469	2,013	20,765	20,625
Other	-	-	-	-	-	100
	1,401	15,882	1,469	2,013	20,765	20,725
<b>Expenditure</b>						
Grants	-	-	-	1,750	1,750	2,000
Disbursements	8,763	-	-	-	8,763	-
	8,763	-	-	1,750	10,513	2,000
<b>Excess of revenue over expenditure (expenditure over revenue) for the year</b>	(7,362)	15,882	1,469	263	10,252	18,725

**The Church Society of the Diocese of Quebec**

Capital Assets Fund

Statement of Revenue and Expenditure

For the year ended December 31, 2019

---

	2019 \$	2018 \$
<b>Revenue</b>		
Amortization of deferred contributions	17,173	17,173
<b>Expenditure</b>		
Depreciation of capital assets	38,183	38,332
Interest on demand loans	8,396	8,920
	46,579	47,252
<b>Excess of expenditure over revenue for the year</b>	<b>(29,406)</b>	<b>(30,079)</b>

DRAFT

# The Church Society of the Diocese of Quebec

## Statement of Cash Flows

For the year ended December 31, 2019

	2019 \$	2018 \$
<b>Cash flows from</b>		
<b>Operating activities</b>		
Excess of revenue over expenditure (expenditure over revenue) for the year	386,237	(257,464)
Items not affecting cash		
Depreciation of capital assets	38,183	38,332
Amortization of deferred contributions	(17,173)	(17,173)
Doubtful accounts	18,307	16,548
Change in fair value of marketable investments	(310,543)	344,116
	<u>115,011</u>	<u>124,359</u>
Changes in non-cash working capital items		
Accounts receivable	(120,983)	220,763
Due from The Synod of the Anglican Church in the Diocese of Quebec *	(80,591)	(39,686)
Due from The Church Society of the Diocese of Quebec – Funds Under Management: Pooled Funds	78,135	(78,135)
Due from The Lord Bishop of Quebec, Corporation Sole	(522)	(9,624)
Accounts payable	110,845	(45,068)
	<u>(13,116)</u>	<u>48,250</u>
Other item – Severance plan payments	(11,408)	(11,407)
	<u>90,487</u>	<u>161,202</u>
<b>Investing activities</b>		
Receipt of advances receivable	15,423	58,907
<b>Financing activities</b>		
Payments on demand loans	(26,594)	(27,125)
Payments on long-term debt	(42,872)	(42,934)
	<u>(69,466)</u>	<u>(70,059)</u>
<b>Net change in cash during the year</b>	36,444	150,050
<b>Cash indebtedness – Beginning of year</b>	<u>(71,382)</u>	<u>(221,432)</u>
<b>Cash indebtedness – End of year</b>	<u>(34,938)</u>	<u>(71,382)</u>
<b>Supplementary information</b>		
Interest paid on long-term debt	22,579	21,048

\* In 2019, a part of the Due from The Synod of the Anglican Church in the Diocese of Quebec was paid by a transfer of units of Pooled Fund held by The Synod of the Anglican Church in the Diocese of Quebec to the Church of the Diocese of Quebec for an amount of \$317,102.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT**

The accompanying notes are an integral part of these financial statements  
**NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

---

## 1 Statutes, nature of activities and presentation of the financial statements

The Church Society of the Diocese of Quebec (the "Church Society") is a charitable organization founded in 1843 by the Right Reverend George Jehoshaphat Mountain, Lord Bishop of Quebec, and incorporated by statute law, Act 7 Victoria, Chapter 68, as passed in the civil legislature of Lower Canada in 1844. The Church Society is governed by this law and amending acts as well as by the Church Society's constitution and by-laws. The Church Society was created to aid the missionary and evangelical work of the Anglican Church in Upper and Lower Canada, and continues to encourage the ministry and witness of the Anglican Church through its faithful support of the vocation of The Synod of the Anglican Church in the Diocese of Quebec (Synod). As a registered charitable organization, the Church Society is exempt of tax.

The Church Society uses fund accounting in its financial statements. These funds are described as follows:

### The Church Society of the Diocese of Quebec – Operating Fund

(a) Externally unrestricted reserves

The Sabbaton Administration Fund

This fund includes revenue generated by investments in Pooled Funds, by loans to various bodies in the Diocese of Quebec and by management and administration fees charged against revenue generated by all funds held in trust. This revenue is at the discretion of the Central Board and is undesignated.

(b) Internally restricted reserves

Mission Funds

These funds, invested in Pooled Funds, generate revenue to support the missionary work of the Church Society. By resolution of the Central Board, revenues are disbursed to Synod.

Episcopal & Administration Funds

These funds, invested in Pooled Funds, generate revenue to support the Episcopacy and the staff of Synod. By resolution of the Central Board, revenues are disbursed to Synod.

Program Funds

These funds, invested in Pooled Funds, generate revenue to support the program work of Synod. By resolution of the Central Board, revenues are disbursed to Synod.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

**The Church Society of the Diocese of Quebec**

Notes to Financial Statements

December 31, 2019

---

**Pension Funds**

These funds represent the balance of the Church Society Pension Funds which remained in the Church Society's care after the Diocese of Quebec joined the General Synod pension plan. They are used to pay "regular pensions" to former lay employees of Synod. The balance left after this fiduciary obligation is fulfilled is distributed as "supplementary pensions" to some clergy and lay employees who have retired from the Diocese or to their surviving spouses. Both pensions are set annually by the Central Board.

**St. Matthew's**

This fund, invested in Pooled Funds, generates revenue to support a stipendiary cleric in Metropolitan Quebec. By resolution of the Central Board, revenues are disbursed to the congregation of St. Michael's Sillery.

**Gaspé Deanery Council**

This fund, invested in Pooled Funds, generates revenue to support the ministry of the Deanery of Gaspé. By resolution of the Central Board, revenues are disbursed to Synod and forwarded to the Deanery of Gaspé.

**East Angus Funds**

These funds, invested in Pooled Funds, generate revenue to support the ministry of the congregation of St. Peter's Cookshire. By resolution of the Central Board, revenues are disbursed to St. Peter's Cookshire.

**Chaplaincy Fund**

This is an internal reserve established by the Central Board to generate revenue which will be retained and used to decrease the stipend and benefit cost of the Chaplains.

**Fort Haldimand**

This is an internal reserve established by the Central Board to generate revenue which will be retained and used to decrease the accounts receivable from Fort Haldimand.

**St. Laurent Deanery Council**

This fund generates revenue to support the St. Laurent Deanery Council.

**Archdeacon of the Lower North Shore**

This fund generates revenue to support the responsibility allowances of the Archdeacon of the Lower North Shore.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**



**The Church Society of the Diocese of Quebec**

Notes to Financial Statements

**December 31, 2019**

---

## Responsibility Allowances

This fund generates revenue to support the responsibility allowances of Synod.

## Ministry Development Fund

This fund generates revenue that is to be remitted to Synod for its ministry, with a priority for ministry in the regions where the investments originated from.

## Pooled Funds

This fund is the equity of the Church Society invested in Pooled Funds, which are under the management of the Church Society.

## (c) Externally restricted reserves

## Miscellaneous Cemetery Fund

This fund, invested in Pooled Funds, generates revenue to support the work of maintaining and/or repairing orphaned cemeteries in the geographic territory of the Diocese of Quebec.

## North Shore Deanery Funds

These funds, invested in Pooled Funds, generate revenue to support the ministry of the Deanery of the North Shore. By resolution of the Central Board, revenues are disbursed to Synod and forwarded to the Deanery of the North Shore.

## Life Membership Fund

This fund, invested in Pooled Funds, generates revenue to support the administrative work of the Church Society.

## Education Fund

This fund, invested in Pooled Funds, generates revenue to aid clergy children with schooling.

**The Church Society of the Diocese of Quebec – Capital Assets Fund**

This fund consists of investments in capital assets: the Episcopal Residence "Bishopthorpe", the Naskapi Church complex in Kawawachikamach, houses in Mutton Bay and 14 other land assets (e.g. cemeteries, cemetery lots, glebes and churches).

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

---

## 2 Summary of significant accounting policies

### Basis of presentation

The Church Society prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) as issued by the Canadian Accounting Standards Board.

### Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

### Revenue recognition

Restricted contributions are recognized as revenues of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues of the appropriate fund when received or when receivable if the amount to be received is reasonably estimated and collection is reasonably assured.

Endowment contributions are recognized as a direct increase in the appropriate fund.

### Financial instruments – Recognition and measurement

All financial assets are measured at fair value on initial recognition. Accounts receivable, due from The Synod of the Anglican Church in the Diocese of Quebec, due from The Church Society of the Diocese of Quebec – Funds Under Management: Pooled Funds, due from The Lord Bishop of Quebec, Corporation Sole and advances receivable are recorded at cost or amortized cost. Accounts payable, demand loans and long-term debt are recorded at amortized cost. Marketable investments and cash indebtedness are measured at fair value. Each listed investment is valued at the latest close price. Changes in fair value are recognized in the statement of revenue and expenditure of Pooled Funds in the period incurred.

### Contributions

Contributions are accounted for using the deferral method.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

---

## Contributions received as services

Each year, volunteers spend a lot of time helping the Church Society provide its services. Considering the difficulty in establishing the fair value of contributions received as services, these services are not recognized in the financial statements.

## Investment transactions

Investment transactions are accounted for on the transaction date.

## Capital assets

Capital assets are accounted for at cost and are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Bishop's house	40
Mutton Bay house	40
Naskapi Church	40
Furniture	10

No depreciation has been recorded on lands since their acquisition.

## Deferred contributions

Deferred contributions represent contributed capital assets and restricted contributions for various capital asset acquisitions. Deferred contributions are amortized at the rates used in the calculation of the depreciation of related capital assets.

## Defined severance plan obligation

The Church Society recognizes its obligations under the defined severance plan and the related costs, net of plan assets, using the immediate recognition approach. In this regard, the Church Society has adopted the following policies:

- The expected return on plan assets is estimated using the same discount rate as is used to determine the plan obligation.
- Net gains or losses other than remeasurement of the accrued severance obligation are recognized in the statement of revenue and expenditure as they occur.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

## Notes to Financial Statements

December 31, 2019

The defined severance plan asset recognized on the statement of financial position is the defined severance obligation less the fair value of plan assets, adjusted for any valuation allowance, at the statement of financial position date.

"Remeasurements and other items" (consisting of gains and losses, past service costs, settlements and curtailments) is recognized immediately. The Church Society recognizes these remeasurements and other items directly in net assets. These remeasurements and other items will not be reclassified from net assets to the statement of revenue and expenditure in a subsequent period.

The measurement of plan assets and obligations is required at the statement of financial position date and is calculated using an actuarial valuation prepared for accounting purposes.

### Inter-fund transfers

Transfers of funds to other funds were performed to compensate for expenditure over revenue incurred during the year and in accordance with the description of the funds. Transfers of funds from Pooled Funds represents capital sold and capital assets transfer's represents expenditures for the year.

### 3 Marketable investments

	2019	2018
<b>Pooled Funds</b>		
Units	196,186	175,464
Cost	\$3,651,943	\$3,334,641
Fair value	\$3,095,816	\$2,500,366

As at December 31, 2019, the fair value of a unit amounts to \$15.78 (\$14.25 in 2018).

In addition, 21,174 additional units with a total fair value of \$334,117 (\$301,722 in 2018) are held by the Pension Funds (note 11).

The total units held in the Pooled Funds including those in the Pension Funds are as follows:

	2019	2018
Units	217,360	196,637
Cost	\$4,080,494	\$3,763,192
Fair value	\$3,429,933	\$2,802,088

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

## Notes to Financial Statements

December 31, 2019

The Church Society owns units in The Church Society of the Diocese of Quebec – Funds Under Management: Pooled Funds.

The Pooled Funds are a unitized balanced fund created under statute law of the Province of Quebec, Chapter 149, 1967. The Pooled Funds have a designated beneficiary, and unit value reflects fair value in these financial statements.

The Church Society is the trustee, depositary, administrator and manager of the Pooled Funds.

### 4 Advances receivable

	2019 \$	2018 \$
Due from Magog, bearing interest at 3% semi annually, payable in annual principal and interest instalments of \$6,638, maturing in December 2022	18,768	24,661
Due from The Parish of Quebec Worshipping at the Cathedral, bearing interest at 4%, payable based on the profit of the Cathedral Steering Committee project	37,122	39,500
Due from Old Harry, bearing interest at 0.5% annually, payable in annual principal and interest instalments of \$640, maturing in December 2045	15,277	15,861
Due from St. Clement East parishes, bearing interest at 6% annually, payable in annual principal and interest instalments of \$8,226, maturing in December 2023	24,024	30,592
	<hr/>	<hr/>
	95,191	110,614
Less: Current portion	50,552	15,482
	<hr/>	<hr/>
	44,639	95,132

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

## 5 Capital assets

	2019		2018	
	Cost \$	Accumulated depreciation \$	Net \$	Net \$
Mutton Bay land	1,170	-	1,170	1,170
Sundry lands	1,930	-	1,930	1,930
Bishop's house	1,119,010	346,350	772,660	800,558
Mutton Bay house	36,191	17,191	19,000	19,905
Naskapi Church	334,897	234,788	100,109	108,482
Furniture	11,573	9,243	2,330	3,337
	1,504,771	607,572	897,199	935,382

## 6 Cash indebtedness

The Church Society has an authorized line of credit of \$250,000 which bears interest at the prevailing bank prime rate plus 0.75%. As at December 31, 2019, the line of credit used amounts to \$34,938 (\$53,724 in 2018; The difference with the cash indebtedness value per the statement of financial position relates to outstanding items).

## 7 Accounts payable

	2019 \$	2018 \$
Trade accounts	143,837	24,741
Government remittances	-	8,251
	143,837	32,992

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

## 8 Demand loans

	2019 \$	2018 \$
Capital Assets Fund		
Demand loan with the Bank of Montreal, bearing interest at a variable rate of the lender's prime rate plus 0.75%, payable in monthly instalments of \$532 plus interest	52,106	58,487
Demand loan with the Bank of Montreal, bearing interest at a variable rate of the lender's prime rate plus 0.75%, payable in monthly instalments of \$1,684 plus interest	112,858	133,071
	<u>164,964</u>	<u>191,558</u>

The demand loans are guaranteed by a movable hypothec on all units belonging to the Church Society in Pooled Funds with a fair value amounting to \$3,429,933 as at December 31, 2019 (\$2,802,088 in 2018).

The interest expense for 2019 amounts to \$8,396 (\$8,920 in 2018).

## 9 Long-term debt

	2019 \$	2018 \$
Term debt with the Bank of Montreal, bearing interest at a fixed rate of 4.02%, payable in monthly principal and interest instalments of \$4,755, renewable on July 31, 2021	329,567	372,439
Less: Current portion	44,662	42,879
	<u>284,905</u>	<u>329,560</u>

To guarantee this term debt as well as the demand loans listed in note 8, the Church Society has agreed to maintain pledged Pooled Funds investments through BMO Nesbitt Burns covering the outstanding balance of the loans. The value of the Pooled Funds investments is to be determined in accordance with the following criteria:

Highly rated bonds (A-/A3 or higher or provincial)	90% of market value
Lower rating bonds (BBB/Baa3 or higher)	80% of market value
Equities with par value greater than \$5	50% of market value

The condition has been met as at December 31, 2019.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

## 10 Deferred contributions

	2019 \$	2018 \$
Balance – Beginning of year	478,854	496,027
Less: Amortization	17,173	17,173
Balance – End of year	<u>461,681</u>	<u>478,854</u>

## 11 Net defined severance plan assets

The Church Society paid \$11,408 to three former employees and is committed to pay an annual benefit to two former employees totalling a maximum amount of \$11,408 per year. As at December 31, 2019, this defined severance plan liability is covered by 21,174 units accounted for in the Internally Restricted Pension Funds and held in the Pooled Funds. In addition to this plan, the Church Society paid discretionary amounts of \$9,723 (\$13,096 in 2018) to other retired employees.

Defined severance plan assets and liabilities are as follows:

	2019 \$	2018 \$
Internally restricted reserves (Pension Funds)	334,117	301,722
Defined severance plan obligation	<u>(42,298)</u>	<u>(50,924)</u>
Net defined severance plan assets	<u>291,819</u>	<u>250,798</u>

The net defined severance plan assets movements are as follows:

	2019 \$	2018 \$
Opening balance	250,798	277,794
Change in fair value of the Internally restricted reserves (Pension Funds)	32,395	(37,054)
Severance plan payments	11,408	11,407
Severance plan revaluation	<u>(2,782)</u>	<u>(1,349)</u>
Closing balance	<u>291,819</u>	<u>250,798</u>

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**



# The Church Society of the Diocese of Quebec

## Notes to Financial Statements

December 31, 2019

The principal assumptions used to measure the defined severance plan obligation are as follows:

	2019	2018
Discount rate	3.1%	3.9%
Remaining years of the plan	4	5

The situation of the severance obligation is as follows:

	2019 \$	2018 \$
Defined severance plan assets	334,117	301,722
Pension Funds accumulated deficit	(290,167)	(298,189)
Net assets	<u>43,950</u>	<u>3,533</u>

### Multiemployer plan

The Church Society's eligible employees participate in the pension fund of The General Synod of the Anglican Church of Canada. This pension plan is a defined contribution plan for multiple employers. In 2019, the contribution rate for the Church Society was 13.2% (13.2% in 2018) of employee salary.

As at December 31, 2019, the Church Society recorded an expenditure of \$10,361 (\$10,050 in 2018) in The Sabbaton Administration Fund. The Church Society's commitments for this pension fund are limited to the employer's defined contribution.

## 12 Financial instruments

### Fair value

The Church Society's financial instruments recognized in the statement of financial position consist of accounts receivable, due from The Synod of the Anglican Church in the Diocese of Quebec, due from The Lord Bishop of Quebec, Corporation Sole, advances receivables, marketable investments, cash indebtedness, accounts payable, demand loans and long-term debt. The fair value of accounts receivable, due from The Synod of the Anglican Church in the Diocese of Quebec, due from The Lord Bishop of Quebec, Corporation Sole, current portion of advances receivable, accounts payable, demand loans and current portion of long-term debt approximate their carrying value due to their short-term maturity. Marketable investments and cash indebtedness are recognized at their fair value. The fair value of advances receivable and long-term debt approximate their carrying value because they bear interest at current market rates.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

## Notes to Financial Statements

December 31, 2019

---

### Interest rate risk

As at December 31, 2019, the Church Society's exposure to interest rate risk is summarized as follows:

Accounts receivable	Non-interest bearing
Due from The Synod of the Anglican Church in the Diocese of Quebec	Non-interest bearing
Due from The Lord Bishop of Quebec, Corporation Sole	Non-interest bearing
Advances receivable	As described in note 4
Cash indebtedness	As described in note 6
Accounts payable	Non-interest bearing
Demand loans	As described in note 8
Long-term debt	As described in note 9

### Credit risk

Financial instruments that potentially subject the Church Society to credit risk consist of marketable investments. As at December 31, 2019, the Church Society's marketable investments, consisting of short-term investments and fixed income investments are issued by high-credit-quality corporations, funds and financial institutions.

### Financial risk

With regard to its marketable investments, the Church Society is exposed to three types of risk:

- Currency risk, which is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.
- Interest rate risk, which is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.
- Market risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded on the market.

### Liquidity risk

The Church Society is exposed to liquidity risk with regard to its cash indebtedness, accounts payable, demand loans and long-term debt if it encounters difficulty in raising funds to meet the commitments associated with these financial instruments. Liquidity risk may also result from the Church Society's inability to sell a financial asset quickly and at close to its fair value.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**

# The Church Society of the Diocese of Quebec

Notes to Financial Statements

December 31, 2019

---

## 13 Commitments

The Church Society has been mandated by Synod (motion DS-99-22 and DS-99-37) to act as agent and provide payroll and insurance services. As at December 31, 2019, the Church Society has paid \$1,155,627 for stipend and travel and \$213,131 in insurance and honoraria for the congregations and has received \$1,054,998 in stipend, travel and honoraria. The difference of \$313,760 is included in accounts receivable, due from The Synod of the Anglican Church in the Diocese of Quebec, due from The Lord Bishop of Quebec, Corporation Sole.

## 14 Subsequent event

The Church Society of the Diocese of Quebec is monitoring the recent outbreak of the novel coronavirus (COVID-19) and its potential impact on the organization. The outbreak of COVID-19 has increased volatility in financial markets and in the activities of Church Society. While the extent and duration of the impact of COVID-19 on global and local economies, financial markets, and sectors and issuers in which Church Society invests is uncertain at this point, the outbreak has the potential to adversely affect the value of Church Society's units invested in Pooled Funds, which are under the management of The Church Society of the Diocese of Quebec and the Church Society activities

The impact of COVID-19 is considered to be a non-adjusting event at the statement of financial position date.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT  
NOT TO BE FURTHER COMMUNICATED**