

REPORT OF FINANCIAL MANAGEMENT COMMITTEE (FMC)

This report covers the period from 2010 General Synod to May 2013

1. The Committee's Role and Mandate

The role of Financial Management Committee is advisory in nature and the Committee is accountable to the General Synod through the Council of the General Synod. The primary roles of the Committee are to direct, oversee and supervise the management of the finances of the General Synod. Working closely with the Council of General Synod (CoGS) and members of General Synod's Management Team, especially the Treasurer, the Committee paid particular attention to the following:

- Regular monitoring of actual financial performance against planned financial performance
- Review of projected revenue and expenses as compared to planned revenue and expenses
- Setting guidelines for the preparation of budgets, and review of detailed annual budgets and multi-year financial plans prior to presentation to CoGS
- Consideration of the availability of resources for the Council of the North and other important areas of focus
- The work of General Synod's Audit Committee
- The work of the Grants Sub-committee, which provides grants to active and retired clergy for significant expenses often related to health and education costs
- Performance of General Synod's investment portfolio
- Review of the Committee's own mandate and mission
- Trends and issues that will influence General Synod's long term sustainability
- Various policy items recommended to the Council of General Synod.

The Committee met three times in person and four times by telephone. Consistent with the previous triennium, the environment was one of significant external and internal change throughout the triennium. Lingering impacts of the 2008 global economic downturn, continuation of gradual demographic shifts across the country, significant challenges within the world wide Anglican Communion, challenges across the Canadian national church, and staff and leadership changes within General Synod all combined to create profound influence on the requirements of the committee's work. Throughout the triennium and despite constant change, the wise and dedicated counsel of every committee member remained faithful to a set of guiding principles developed early in the triennium. Our work was carried out consistently in a spirit of hope, commitment, generosity of spirit and unwavering dedication.

2. Financial Management

The Committee regularly reviewed performance of revenue and expenses against budget. It was a turbulent triennium.

Direction was provided by CoGS in November, 2008, the previous triennium, to eliminate deficit budgeting by 2012. Measures were implemented in the previous triennium to respond to the reality of long-term trends of gradually decreasing diocesan giving; regrettably this included reduction of programs and staff positions.

Though hopeful early this triennium that balanced budgeting would be achievable by 2012 as directed, it became evident that revenue in the years spanning this triennium and into the next would likely be

significantly lower than anticipated, and would result in projected deficits. This was due to underperforming revenues: decreasing diocesan apportionment, and results from philanthropy revenue streams, though strong, were not sufficient to span the gap created by decreasing apportionment and inflation. The Committee, working closely with CoGS, the Management Team of General Synod, and the Officers of General Synod, developed a transitional budgeting approach that would provide time and space for consultation with stakeholders and careful consideration of all issues and interdependencies that would support the achievement of long-term financial sustainability for General Synod in a controlled manner.

Vision 2019 called for the church nationally to create structures that work now and for God's mission. The Primate was to convene a consultation to identify desirable changes in the structures and roles by which the Anglican Church of Canada carries out its ministry in service to God's mission. That consultation was convened in January 2013 against a backdrop of expected declining revenues. The convergence of a sobering financial reality with ongoing structures discussions through to this 2013 General Synod must result in a model in which financial resources are deployed effectively to support the thriving ministries of General Synod as well as achieving financial sustainability.

Though 2013 was acknowledged as a transitional deficit budget year, FMC re-affirms the absolute necessity of affirming the direction provided by CoGS in November, 2008 mandating balanced budgets for 2014 and beyond, taking into consideration the historical decline in proportional giving.

3. Other Work

Throughout our three years of work, the Committee received information and reports on a range of General Synod matters that were pertinent to its work.

The committee received and considered a report analyzing annual diocesan giving for the period 2000 to 2011 by Diocese, adjusted for inflation. The results were sobering. Over an 11 year period, there was a real and effective decrease in apportionment income of 24%. It is imperative that General Synod acknowledges and responds to this reality in budgeting for future years.

FMC was mandated by General Synod to undertake a study of proportional giving. A Proportional Giving Working Group was struck. Working group members have made personal contact with most Diocesan Bishops and Finance Officers to gain insight into individual opinions of what is working, what is not working and suggestions for improvement. The work started this triennium will continue into the upcoming triennium. Feedback will be consolidated and synthesized, and the final results of the study will be reported back during the coming triennium.

4. Committee Assignments

Most members of FMC served on various sub-committees.

The Grants Sub-committee was chaired by Bishop Michael Hawkins for the first half of the triennium. FMC regrettably accepted Bishop Hawkins' resignation during the triennium; the Reverend Hannah Dicks graciously chaired the Grants Sub-committee for the remainder of the triennium.

The Investment Sub-committee was chaired by Kennedy Marshall.

FMC was extremely fortunate to have amongst its members Bishop James Cowan, who also served as FMC's connection with CoGS. As referenced above, FMC was grateful for the leadership of Bishop Michael Hawkins for part of the triennium.

4.1 Audit Committee

The role of Audit Committee is advisory in nature and members are appointed by CoGS. Audit Committee advises CoGS on all matters related to the annual financial statements of all divisions and organizations of General Synod.

Audit Committee was composed of four members, all external to FMC. FMC was extremely fortunate and grateful to have Archbishop Colin Johnson chair the Audit Committee for the triennium. As well, the other three members rounding out the committee are well-respected in their field as chartered accountants.

Audit Committee received, reviewed and recommended for approval the audited financial statements of the General Synod of the Anglican Church of Canada, the Anglican Church of Canada Consolidated Trust Fund, and the Anglican Church of Canada Resolution Corporation for each of the fiscal years ended December 31st, 2010, 2011 and 2012. Other work included in the capacity of the committee was to review and evaluate reports prepared by the Auditor for each fiscal year, as well as recommendation of the Auditor annually to CoGS.

Please refer to Appendix B of this report, relating to audited financial statements for the fiscal year ended December 31, 2012.

4.2 Grants Sub-Committee

The Grants Sub-committee was composed of three FMC members. The sub-committee considers a variety of medical and social support grant applications from active and retired clergy and their dependents to the Lady Edith Drayton Trust. The sub-committee meets twice a year, coinciding with FMC meetings, to consider grant applications. The sub-committee meets in confidence and provides a general overview of their decisions to FMC at each meeting. Over the triennium, the sub-committee recommended over \$40,000 in grants.

Considerable and significant work was done during the triennium to develop policies and guidelines, the purpose of which was to ensure that the review and consideration of each grant application is fair, equitable, and based on clear criteria. The application form was revised to reflect refined criteria.

4.3 Investment Sub-Committee

The Investment Sub-committee was composed of three members. Chaired by Kennedy Marshall, a member of FMC, the sub-committee was also very fortunate to benefit from the expertise of two non-FMC members. Each is an expert in their own area of professional expertise: one a professional investment manager, and the other an accredited actuary.

The primary responsibility of the sub-committee is to monitor the performance of the investment manager engaged to manage the assets held by the Anglican Church of Canada Consolidated Trust Fund. The sub-committee met regularly with the investment manager Connor, Clark & Lunn throughout the triennium. Recently the sub-committee conducted a comprehensive review of the investment manager, including both quantitative and qualitative criteria. The sub-committee was very satisfied with manager performance measured on both quantitative and qualitative bases. The triennium ended with strong performance, recovering losses from the global economic downturn in 2008 and gaining some ground.

The sub-committee also has responsibility to review the Statement of Investment Policy & Goals to ensure that it continues to serve General Synod effectively. Some minor changes were proposed to and approved by CoGS during the triennium. The revised policy is appended to this report for information.

5. Summary of Policy Recommendations and Changes

FMC tackled several important policy matters. They include the following which were recommended to CoGS and subsequently approved, subject to some revisions:

- Review and endorsement of Resources for Missions policies developed and previously approved by that committee. The policies dealt with several matters: confidentiality, corporate sponsorships, major gifts, gift acceptance, and donor privacy.
- Review and revision of the Statement of Investment Policy & Goals for the Consolidated Trust Fund
- During the previous triennium, FMC developed and approved a policy to allocate 40% of unrestricted bequests to operations and 60% to a permanent investment fund, with the balance shifting over a period of time so that eventually 90% of each unrestricted bequest is invested permanently for investment in a permanent fund. This triennium, FMC developed and approved criteria for the evaluation of grant applications to the permanent fund, named the *Ministry Investment Fund*.
- Receive and endorse recommendations from the Ministry Investment Fund Committee to provide grants for projects meeting the required criteria.
- Allocation of various internally designated funds.

6. Committee Staffing

During the triennium we said goodbye to Michèle George, who retired in September, 2012 after providing outstanding leadership as Treasurer for 3 1/2 years. As well, the Committee misses the administrative support provided by Michelle Frost, now with The Primate's World Relief and Development Fund. We welcomed Emily De Lucia in her role as providing administrative support to FMC. During the triennium the Committee welcomed Hanna Goschy, initially to the role of Controller, and then to the role of Treasurer.

Respectfully submitted,

Robert Dickson, Chair, FMC
Hanna Goschy, Treasurer, General Synod

The Anglican Church of Canada Consolidated Trust Fund

Statement of Investment Policy and Goals

Revised and Approved CoGS, March 2013

STATEMENT OF INVESTMENT POLICY AND GOALS

Section I – Governance

1. *Purpose of the Fund*

The Consolidated Trust Fund (CTF) exists primarily to invest endowment and trust funds of General Synod and the Missionary Society. Dioceses, parishes, and other Church-related institutions which have similar investment objectives may also use it for investing their assets, which will be held in trust by the CTF.

2. *Investment Objectives*

We are called to be God’s stewards of funds entrusted to us. An understanding of stewardship is based in scripture. The first chapter of Genesis tells us that God created all things, including people, who are to be the managers, caretakers and stewards of all that God created, recognizing that all comes as a gift from God. As stewards we are responsible to tend these funds in a wise and just manner to the best of our ability.

3. *Administration of the Fund*

Responsibility for the CTF lies with the Financial Management Committee (FMC) of General Synod. FMC has appointed an Investment Sub-Committee which meets with the managers regularly and provides them with policy direction.

The Fund shall be managed in accordance with all applicable legal requirements including the Income Tax Act (Canada) and the Ontario Trustee Act. It is understood that any investment management (“the Manager”) or any other agent or advisor providing services in connection with the Fund, shall accept and adhere to this Statement.

The Investment Sub-Committee may delegate some of its responsibilities with respect to the investment of the Fund to agents or advisors. In particular, the services of a custodian (the “Custodian”) and of one or more investment managers (the “Manager”) are retained.

The Investment Sub-Committee shall:

- establish the Statement;
- select the Manager and Custodian;
- obtain advice, as required, regarding the legal and regulatory requirements and constraints set out in this Statement applicable to the Fund;
- on an annual basis, review the Statement and recommend appropriate amendments to FMC;
- provide regular reports to FMC;

Section I – Governance

(cont'd)

- monitor the Fund and the investment performance of assets managed by each Manager and the performance of the Fund as a whole;
- inform the Manager of any significant deposits and withdrawals.

3.1 Investment Managers

The Manager is responsible for:

- maintaining an understanding of legal and regulatory requirements and constraints applicable to the Fund;
- selecting securities within the asset classes assigned to them, subject to applicable legislation and the constraints set out in this Statement;
- providing the Investment Sub-Committee with quarterly reports of actual portfolio holdings and a review of investment performance and future strategy;
- attending meetings of the Investment Sub-Committee at least twice per year to review performance and to discuss proposed investment strategies;
- informing the Investment Sub-Committee promptly of any investments which fall outside the investment constraints contained in this Statement and what actions will be taken to remedy this situation;
- advising the Investment Sub-Committee of any elements of this Statement that could prevent attainment of the Fund's objectives;
- explaining the characteristics of new asset classes or investments and how they may assist in achieving the Fund's objectives;
- being available for consultation with the Investment Sub-Committee at all reasonable times;
- providing future outlook information during attendance at Investment Sub-Committee meetings; and
- advising on a quarterly basis of the compliance status with this policy.

3.2 Custodian

The Custodian is responsible for:

- holding the assets of the Fund in accordance with applicable legislation; and
- providing a quarterly consolidated report of the assets of the Fund to the Investment Sub-Committee.

Section I – Governance
(cont'd)

4. *Conflict of Interest Policies*

4.1 *Sub-Committee Members*

- (a) A conflict of interest is deemed to exist when a fiduciary of the CTF has an interest of sufficient substance and proximity to his/her duties and powers with respect to the CTF, to impair his/her ability to render unbiased advice or to make unbiased decisions affecting the CTF.
- (b) A fiduciary of the CTF must disclose any actual or perceived conflict of interest to the Chair of FMC, who shall disclose same to all FMC members as soon as possible.

4.2 *The Investment Manager*

The Investment Manager shall fully disclose to the Investment Sub-Committee information on any actual or potential conflicts of interest.

5. *Retention or Delegation of Voting Rights*

The Investment Manager is responsible for the voting of all proxies of holdings within the CTF using the best interests of the Fund as the sole voting criterion.

However, the Investment Sub-Committee reserves the right to vote any proxies directly.

The Investment Manager is to provide on a timely basis a record of voting and/or intention of voting to the Treasurer.

6. *Securities Lending*

Securities lending is permitted.

STATEMENT OF INVESTMENT POLICY AND GOALS

Section II – Investment Policy and Strategy

1. *Fund Objectives*

1.1 *Investment Objectives*

The overall investment objectives, *in their order of priority*, of the Fund are to:

- preserve capital, as adjusted for Canadian Consumer Price Index (CPI) inflation and fund management expense;
- maintain liquidity; and
- generate a reasonable rate of return.

1.2 *Corporate Social Responsibility*

The Fund shall engage an investment manager that utilizes and applies an investment decision-making process where Socially Responsible Investing (SRI) screening would be used and implemented where feasible, prudent and effective.

SRI screening criteria will include areas of business activity that are generally considered to be controversial or ethically questionable. These criteria may include, but not be limited to: alcohol, gambling, military weapons, nuclear power, pornography and tobacco.

The Fund is to be invested in accordance with these guidelines even in the absence of special instructions.

2. *Performance Objectives*

The Investment Manager is expected to add value to the Fund through the proper use of asset mix and security selection in the context of not exposing the Fund to undue risk. On a four year moving average basis, the CTF expects investment returns to exceed the benchmark return by 75 or more points net of fees.

Section II – Investment Policy and Strategy (cont'd)

3. *Asset Mix, Ranges and Benchmark Indices*

Asset Class	Strategic Target	Range	Benchmark
Cash & short-term	5%	0%-20%	DEX 91 Day T-Bill Index
Bonds	45%	40% - 80%	DEX Universe Bond Index
Equities	45%	30% - 60%	
Canadian	30%	15% - 60%	S&P/TSX Composite Index
Foreign	15%	0% - 30%	MSCI World Index (ex Canada)
Alternatives			
Real Estate	5%	0% - 5%	
Infrastructure	0%	0% - 0%	
Derivatives	0%	0% - 0%	

4. *Risk Guidelines*

All allocations are based on market values at time of purchase. The assets of the Fund will be invested at all times in a prudently diversified manner.

Derivative securities may be used in the portfolio for income generation (e.g. through the sale of covered call options), currency exposure management (e.g. currency forward contracts) or to obtain exposure to capital markets through the use of synthetic securities (e.g. future contracts). Derivative securities may not be used for speculative purposes and cannot be used to add leverage to the portfolio.

4.1 *Cash and Cash Equivalents*

At least R1-low.

Maximum term to maturity for any single security is one (1) year.

Maximum exposure to corporate issues is 50% of the cash pool.

4.2 *Fixed Income*

The average credit quality of the overall bond portfolio holdings will be at least “A” rated.

Section II – Investment Policy and Strategy (cont'd)

4.3 Canadian Equities

The Fund must be well diversified across industry sectors and capitalization ranges consistent with the following:

- (a) No one equity holding shall represent more than 15% of the market value of each equity portfolio.
- (b) There will be a minimum of 30 stocks in each equity portfolio.
- (c) No more than 15% of the market value of an equity portfolio may be invested in companies with a market capitalization of less than \$250 million at the time of purchase.

4.4 Foreign Equities

Same as above except international holdings will be broadly diversified by region, industry, country and currency.

4.5 Notwithstanding this Section, it is recognized by the Investment Committee that complete adherence to these diversification and constraint standards within a pooled fund may not be entirely possible; however, the Manager is expected to advise the Investment Sub-Committee forthwith in the event that the pooled fund exhibits any significant departure from this Statement.

5. Reporting & Monitoring

5.1 Investment Reports

Each quarter the Manager will provide to the Investment Sub-Committee, within twenty business days from the last day of the quarter, a written report containing the following information:

- Fund holdings at the end of the quarter;
- Fund transactions during the quarter;
- Rates of return for the Fund with comparisons with relevant indexes or benchmarks; and
- A compliance report stating that the assets of the Fund are invested in compliance with this Statement.

Section II – Investment Policy and Strategy (cont'd)

5.2 Monitoring

At the discretion of the Investment Sub-Committee as required, the Manager will meet with the Investment Sub-Committee regarding:

- the rate of return achieved by the Manager;
- the Manager's future strategies and other issues as requested;
- the filing of compliance reports; and
- the Manager's report.

5.3 Annual Review

It is the intention of the Investment Sub-Committee to ensure that this Statement is continually appropriate to the FMC's needs and responsible to changing economic and investment conditions. Therefore, the Statement shall be reviewed annually by the Investment Sub-Committee.

6. *Standard Of Care*

The Manager is expected to comply, at all times and in all respects, with the code of ethics and standards of professional conduct as promulgated by the professional organization of which s(he) is a member (CFA,CSI, etc) as well as those of the Ontario Securities Commission.

The Manager will manage the assets with the care, diligence and skill that a prudent Investment Manager would use in dealing with all clients. The Manager will also use all relevant knowledge and skill that it possesses or ought to possess as a prudent Investment Manager.

Section II – Investment Policy and Strategy
(cont'd)

ACKNOWLEDGEMENT

APPROVED

Financial Management Committee

The General Synod of the
Anglican Church of Canada

Signature

Name

Date

ACCEPTED

Investment Manager

Signature

Name

Date

Audited Financial Statements

Current procedures of our Auditor, Ernst & Young LLP, are such that audited financial statements are considered *draft* until final approval by the governing body. At that time, the word 'draft' will be removed and the signature of the Auditor will be affixed.

Draft audited financial statements for the fiscal year ended December 31, 2012 for the following entities will be provided to members of General Synod as soon as available.

- The Anglican Church of Canada Resolution Corporation
- The Anglican Church of Canada Consolidated Trust Fund
- The General Synod of the Anglican Church of Canada.

Draft audited financial statements will be presented to General Synod for approval, as provided by Canon Vi, sections 4 c) and d).

Financial Statements

**The Anglican Church of Canada
Resolution Corporation**

December 31, 2012 and 2011

INDEPENDENT AUDITORS' REPORT

To the Primate and Trustees of
The Anglican Church of Canada Resolution Corporation

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **The Anglican Church of Canada Resolution Corporation** comprising the statements of financial position as at December 31, 2012 and 2011, and January 1, 2011 and the statements of operations, changes in fund balances and cash flows for the years ended December 31, 2012 and 2011, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' judgment, 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 auditors consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

DRAFT FOR DISCUSSION

- 2 -

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Anglican Church of Canada Resolution Corporation** as at December 31, 2012 and 2011, and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Corporations Act (Ontario), we report that, in our opinion, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Toronto, Canada,
July 5, 2013.

Chartered Accountants
Licensed Public Accountants

The Anglican Church of Canada Resolution Corporation

STATEMENTS OF FINANCIAL POSITION

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
ASSETS			
Current			
Cash and cash equivalents	6,197,616	6,626,947	7,063,123
Total current assets	6,197,616	6,626,947	7,063,123
LIABILITIES AND FUND BALANCES			
Current			
Due to The General Synod of the Anglican Church of Canada <i>[note 5[c]]</i>	265,797	214,995	236,300
Grants payable	114,314	97,030	199,851
Other	18,542	18,622	8,198
Total current liabilities	398,653	330,647	444,349
Fund balances			
Settlement Fund <i>[note 2]</i>	3,581,185	4,100,731	4,606,240
Anglican Fund for Healing and Reconciliation <i>[notes 2[c] and 4]</i>	2,217,724	2,192,850	2,011,636
General Fund	54	2,719	898
Total fund balances	5,798,963	6,296,300	6,618,774
Total liabilities and fund balances	6,197,616	6,626,947	7,063,123

See accompanying notes

The Anglican Church of Canada Resolution Corporation

STATEMENTS OF OPERATIONS AND CHANGES IN FUND BALANCES

Years ended December 31

	<u>Settlement Fund</u>		<u>Anglican Fund for Healing and Reconciliation</u>		<u>General Fund</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Interest earned	—	—	37,893	34,615	11,089	14,040	48,982	48,655
	—	—	37,893	34,615	11,089	14,040	48,982	48,655
EXPENSES								
Grants	—	—	377,493	221,153	—	—	377,493	221,153
Other [note 5[b]]	117,179	103,142	37,893	34,615	13,754	12,219	168,826	149,976
	117,179	103,142	415,386	255,768	13,754	12,219	546,319	371,129
Excess (deficiency) of revenue over expenses for the year	(117,179)	(103,142)	(377,493)	(221,153)	(2,665)	1,821	(497,337)	(322,474)
Fund balances, beginning of year	4,100,731	4,606,240	2,192,850	2,011,636	2,719	898	6,296,300	6,618,774
Fund transfer [notes 2[c] and 4[b]]	(402,367)	(402,367)	402,367	402,367	—	—	—	—
Fund balances, end of year	3,581,185	4,100,731	2,217,724	2,192,850	54	2,719	5,798,963	6,296,300

See accompanying notes

DRAFT FOR DISCUSSION

The Anglican Church of Canada Resolution Corporation

STATEMENTS OF CASH FLOWS

Years ended December 31

	2012	2011
	\$	\$
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	(497,337)	(322,474)
Net change in non-cash working capital balances related to operations		
Due to The General Synod of the Anglican Church of Canada	50,802	(21,305)
Grants payable	17,284	(102,821)
Other liabilities	(80)	10,424
Cash used in operating activities	(429,331)	(436,176)
Net decrease in cash and cash equivalents during the year	(429,331)	(436,176)
Cash and cash equivalents, beginning of year	6,626,947	7,063,123
Cash and cash equivalents, end of year	6,197,616	6,626,947

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. PURPOSE OF THE ORGANIZATION

The Anglican Church of Canada Resolution Corporation ["ACCRC"] was incorporated on January 17, 2003 under the Canada Corporations Act as a corporation without share capital. Its primary purpose is to operate and manage a fund [the "Settlement Fund"] contributed to by The General Synod of the Anglican Church of Canada ["General Synod"], The Missionary Society of the Anglican Church of Canada ["The Missionary Society"] and all dioceses in Canada [collectively referred to as the "Anglican Entities"] pursuant to the Settlement Agreement and the Anglican Amending Agreement described in note 2. ACCRC is under the management and administration of three trustees appointed by General Synod.

2. AGREEMENTS WITH THE GOVERNMENT OF CANADA

- [a] On March 11, 2003, General Synod and The Missionary Society signed an agreement with the Government of Canada [the "Settlement Agreement"] to establish a process for dealing with claims related to the operation of residential schools and to establish a framework to apportion and pay liabilities related to these claims. The Settlement Agreement provided that the Anglican Entities would contribute \$25,000,000 to the Settlement Fund over a period of five years commencing March 14, 2003.
- [b] As a result of the Government of Canada entering into a more favourable agreement with entities related to the Roman Catholic Church [the "Catholic Entities"], the Government of Canada entered into an agreement with the Anglican Entities and other parties setting out a new process and revised funding arrangements for residential schools related claims. In addition, the Government of Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 [the "Anglican Amending Agreement"].
- [c] Under the Anglican Amending Agreement, the maximum amount the Anglican Entities are required to contribute towards Indian Residential Schools ["IRS"] Abuse Claims and healing and reconciliation is \$15,687,188. This amount is calculated based on the maximum amount that the Catholic Entities are required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada.

The maximum payable by the Anglican Entities of \$15,687,188 is to be satisfied as follows:

- [i] Compensation of \$6,699,125 for IRS Abuse Claims paid by the Anglican Entities to November 20, 2005.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

- [ii] The establishment by ACCRC of a segregated fund, the Anglican Fund for Healing and Reconciliation [the "AFHR"], satisfied by transferring \$2,200,000 from the Settlement Fund in 2007 *[note 4[b]]*.
- [iii] A minimum of \$402,367 of in-kind services, or cash payments into the AFHR from the Settlement Fund *[note 4[b]]* each year over a ten-year period commencing in 2008, or until the contributions total \$4,023,675, whichever comes earlier. This amount can be used to fund projects carried out by Anglican Entities or third parties *[note 4[a]]*.
- [iv] An amount of \$2,764,300 that will be transferred from the Settlement Fund to the AFHR based on the actual amounts contributed by the Catholic Entities.

If the Catholic Entities do not contribute the maximum amount set out in the agreement with the Government of Canada, the amount that the Anglican Entities are required to contribute to the AFHR will be reduced in proportion to the Catholic Entities' shortfall. The amount paid by the Catholic Entities required to determine if the amount transferred to the AFHR can be reduced will be finalized no later than September 19, 2019. Any excess amount remaining in the Settlement Fund may be refunded to the Anglican Entities.

- [d] The Settlement Agreement provides that interest income earned on the investment of funds held for the Settlement Fund by ACCRC is to be first used for the payment of reasonable administrative costs of the Settlement Fund, and thereafter as determined by ACCRC. The Anglican Amending Agreement provides that interest accruing on funds held for the AFHR will be first used for the payment of reasonable administrative expenses related to the AFHR and that any excess will be added to the funds available for grants. The Anglican Amending Agreement provides that any expenses in excess of the interest earned may be recovered from the Settlement Fund if approved by the Government of Canada.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Basis of presentation

For financial reporting purposes, the accounts have been classified into the following funds:

Settlement Fund

The Settlement Fund holds resources to be used to satisfy certain of the Anglican Entities' obligations under the Anglican Amending Agreement [*note 2[c]*].

Anglican Fund for Healing and Reconciliation

The AFHR was created in accordance with the terms of the Anglican Amending Agreement for funds that will be made available for initiatives or programs designed to assist with healing and reconciliation that have been approved by the AFHR Committee [the "AFHRC"] established by the Anglican Amending Agreement [*notes 2[c] and 4*].

General Fund

The General Fund accounts for accumulated unrestricted funds. Under the terms of the Settlement Agreement, investment income earned on the Settlement Fund is available to ACCRC to offset reasonable administration expenses and thereafter as determined by ACCRC.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and units in a money market fund.

Revenue recognition

ACCRC follows the restricted fund method of accounting for contributions. Contributions are recorded when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are recognized as revenue of either the AFHR or the Settlement Fund, as applicable. Unrestricted contributions are recognized as revenue of the General Fund.

Investment income is recorded on the accrual basis.

DRAFT FOR DISCUSSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Grants

Grants are accrued when approved by the AFHRC and the grantee has been notified.

4. ANGLICAN FUND FOR HEALING AND RECONCILIATION

- [a] The AFHR has been established in accordance with the Anglican Amending Agreement [note 2[c]] and must be managed in accordance with this agreement. Grants from the AFHR to the Anglican Entities or third parties must be approved by the AFHRC. The Anglican Amending Agreement sets out the criteria to be used by the AFHRC to determine whether a project is eligible for a grant. The funds in the AFHR must be paid out by 2019 and any funds not paid out by that date must be transferred to the Aboriginal Healing Foundation or to another charitable organization agreed upon unanimously by the AFHRC.
- [b] The initial transfer of funds to the AFHR of \$2,200,000, as required by the Anglican Amending Agreement, was made in 2007. Transfers from the Settlement Fund in 2012 in accordance with the Anglican Amending Agreement were \$402,367 [December 31, 2011 - \$402,367] [note 2[c]].

5. TRANSACTIONS WITH THE GENERAL SYNOD OF THE ANGLICAN CHURCH OF CANADA

- [a] General Synod provides administrative support to ACCRC at no cost and makes payments on behalf of ACCRC.
- [b] In 2012, General Synod charged ACCRC \$155,072 [2011 - \$137,757] related to the cost of administering the AFHR. This amount is included in other expenses. In accordance with the Anglican Amending Agreement, the amount of these charges equal to interest earned on funds held for the AFHR of \$37,893 [2011 - \$34,615] was recorded in the AFHR and the amount in excess of interest income, \$117,179 [2011 - \$103,142], was charged to the Settlement Fund.
- [c] As at December 31, 2012, an amount of \$265,797 [December 31, 2011 - \$214,995; January 1, 2011 - \$236,300] is due to General Synod. Amounts due to/from General Synod are non-interest bearing and due on demand.

DRAFT FOR DISCUSSION

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

6. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR NOT-FOR-PROFIT ORGANIZATIONS

These financial statements are the first financial statements that ACCRC has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the year ended December 31, 2011 or net assets as at January 1, 2011, the date of transition.

DRAFT FOR DISCUSSION

Financial Statements

The Anglican Church of Canada
Consolidated Trust Fund
December 31, 2012

DRAFT FOR DISCUSSION

INDEPENDENT AUDITORS' REPORT

To the Financial Management Committee of
The General Synod of the Anglican Church of Canada as Trustees of
The Anglican Church of Canada Consolidated Trust Fund

We have audited the accompanying financial statements of **The Anglican Church of Canada Consolidated Trust Fund**, comprising the statements of financial positions as at December 31, 2012 and 2011, and January 1, 2011 and the statements of operations and changes in net assets for the years ended December 31, 2012 and 2011, 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 private enterprises, 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 auditors' judgment, 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 auditors consider 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.

DRAFT FOR DISCUSSION

- 2 -

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **The Anglican Church of Canada Consolidated Trust Fund** as at December 31, 2012 and 2011, and January 1, 2011 and the results of its operations and changes in its net assets and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for private enterprises.

Toronto, Canada,
July 5, 2013.

Chartered Accountants
Licensed Public Accountants

The Anglican Church of Canada Consolidated Trust Fund

STATEMENTS OF FINANCIAL POSITION

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
ASSETS			
Cash	418,627	127,488	55,223
Accrued income	29,362	19,089	14,385
Investments, at market value <i>[note 3]</i>	18,221,374	14,068,694	13,186,769
	18,669,363	14,215,271	13,256,377
LIABILITIES			
Accounts payable and accrued liabilities	42,615	19,000	22,000
Income distributions accrued	308,634	47,062	30,775
	351,249	66,062	52,775
Net assets	18,318,114	14,149,209	13,203,602
Consisting of			
Undistributed income	247,962	247,962	247,962
Capital	18,070,152	13,901,247	12,955,640
Total net assets	18,318,114	14,149,209	13,203,602

See accompanying notes

DRAFT FOR DISCUSSION

The Anglican Church of Canada Consolidated Trust Fund

STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended December 31

	<u>Total</u>		<u>Undistributed income</u>		<u>Capital</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	\$	\$	\$	\$	\$	\$
INCOME						
Interest and dividends	514,804	418,945	514,804	418,945	—	—
(Loss) gain on foreign exchange	(17,097)	11,817	—	—	(17,097)	11,817
Realized gain on investments	360,515	182,465	—	—	360,515	182,465
Change in unrealized gain on investments	618,096	(911,609)	—	—	618,096	(911,609)
Refund of investment management fees	183,113	—	183,113	—	—	—
	1,659,431	(298,382)	697,917	418,945	961,514	(717,327)
EXPENSES						
Fees	142,505	141,530	142,505	141,530	—	—
Increase (decrease) in net assets from operations	1,516,926	(439,912)	555,412	277,415	961,514	(717,327)
Net assets, beginning of year	14,149,209	13,203,602	247,962	247,962	13,901,247	12,955,640
Additions to capital invested	4,109,332	1,913,276	—	—	4,109,332	1,913,276
Withdrawal of capital invested	(901,941)	(250,342)	—	—	(901,941)	(250,342)
Income distributions	(555,412)	(277,415)	(555,412)	(277,415)	—	—
Net assets, end of year	18,318,114	14,149,209	247,962	247,962	18,070,152	13,901,247

See accompanying notes

DRAFT FOR DISCUSSION

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1. DESCRIPTION AND PURPOSE OF THE TRUST

The Anglican Church of Canada Consolidated Trust Fund ["The Consolidated Trust Fund"] is a trust established pursuant to the Church of England Consolidated Trust Fund Act, 1951 [Chap. 34, Statutes of Canada, 1951 [2nd Session]]. The name of the trust was changed to its present form in 1956 [Chap. 57, Statutes of Canada, 1956]. The Consolidated Trust Fund is authorized to receive personal property, securities and moneys of The General Synod of the Anglican Church of Canada ["General Synod"] and The Missionary Society of the Anglican Church of Canada ["The Missionary Society"] and to manage and invest such as one general trust fund. In addition, The Consolidated Trust Fund may hold for investment any trust funds or other securities or moneys vested in or held by any department, board, council or committee of General Synod or of The Missionary Society, or held by any Provincial or Diocesan Synod in Canada or any board or committee thereof.

The Consolidated Trust Fund is managed as a pooled fund with participants being allocated units pro-rata to the value of their contributions made to The Consolidated Trust Fund for investment purposes.

All participants in the Consolidated Trust Fund are registered charities under the Income Tax Act (Canada) and are exempt from income tax.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements were prepared in accordance with Part II of the Canadian Institute of Chartered Accountants ["CICA"] Accounting Handbook - Accounting Standards for Private Enterprises, which sets out generally accepted accounting principles for non-publicly accountable enterprises in Canada ["GAAP"] and include the significant accounting policies described hereafter.

Basis of presentation

Realized and unrealized gains (losses) on investments are recorded in the capital section since net gains are not made available for distribution.

Interest and dividends, which are available for distribution, are recorded in the undistributed income section of the statement of operations and changes in net assets.

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including amounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the dates of the statements of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are recorded in the statements of operations and changes in net assets.

3. INVESTMENTS

Investments are held in a diversified portfolio of equities and fixed income securities including pooled funds. Investments are managed by Connor, Clark & Lunn Private Capital Ltd.

Investments, at market value, consist of the following:

	December 31, 2012		December 31, 2011		January 1, 2011	
	\$	%	\$	%	\$	%
Fixed income						
Pooled funds	9,853,861	54.1	7,380,050	52.5	6,507,823	49.4
Total fixed income	9,853,861	54.1	7,380,050	52.5	6,507,823	49.4
Equities						
Canadian equities	5,532,454	30.4	5,006,965	35.6	4,899,862	37.1
U.S. equities	1,561,452	8.5	884,745	6.3	859,686	6.5
Global pooled equity funds	1,273,607	7.0	796,934	5.6	919,398	7.0
Total equities	8,367,513	45.9	6,688,644	47.5	6,678,946	50.6
	18,221,374	100.0	14,068,694	100.0	13,186,769	100.0

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

4. PARTICIPANTS' UNITS AND INCOME DISTRIBUTIONS

All investments are pooled and each participant in The Consolidated Trust Fund is allocated units. At December 31, 2012, there were 775,248 units [2011 - 635,120] issued. The market value of each unit at December 31, 2012 was \$23.63 [2011 - \$22.27].

Income distributions during the year were \$0.51 per unit [2011 - \$0.45], excluding the \$183,000 refund of investment management fees received in fiscal 2012 which was allocated on a difference basis.

5. TRANSACTIONS WITH THE GENERAL SYNOD OF THE ANGLICAN CHURCH OF CANADA

[a] General Synod receives contributions to and makes payments on behalf of The Consolidated Trust Fund. As at December 31, 2012 and 2011 and January 1, 2011, there was no amount due to General Synod. Any amount due to General Synod is non-interest bearing and due on demand.

[b] General Synod provides administrative services at no cost to The Consolidated Trust Fund.

6. FINANCIAL INSTRUMENTS

The Consolidated Trust Fund is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Consolidated Trust Fund is exposed to foreign currency risk with respect to its investments denominated in foreign currencies, including the underlying investments of its pooled funds denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Consolidated Trust Fund is exposed to credit risk in connection with its short-term and fixed income investments because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

The Anglican Church of Canada Consolidated Trust Fund

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

Interest rate risk

The Consolidated Trust Fund is exposed to interest rate risk with respect to its investment in a pooled fund that holds fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

The Consolidated Trust Fund is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in equity securities and pooled funds.

7. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR PRIVATE ENTERPRISES

These financial statements are the first financial statements which The Consolidated Trust Fund has prepared in accordance with Part II of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for private enterprises in Canada. First-time adoption of this new basis of accounting had no impact on increase (decrease) in net assets from operations for the year ended December 31, 2011, or net assets as at January 1, 2011, the date of transition.

Consolidated Financial Statements

**The General Synod of the
Anglican Church of Canada**

December 31, 2012

DRAFT FOR DISCUSSION

INDEPENDENT AUDITORS' REPORT

To the Primate and Members of
The General Synod of the Anglican Church of Canada

We have audited the accompanying consolidated financial statements of **The General Synod of the Anglican Church of Canada**, which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and January 1, 2011 and the consolidated statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and 2011, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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

DRAFT FOR DISCUSSION

- 2 -

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **The General Synod of the Anglican Church of Canada** as at December 31, 2012 and 2011, and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada,
July 5, 2013.

Chartered Accountants
Licensed Public Accountants

DRAFT FOR DISCUSSION

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31, 2012 \$	December 31, 2011 \$	January 1 2011 \$
ASSETS			
Current			
Cash and cash equivalents	2,544,078	2,526,410	2,571,646
Accounts receivable <i>[note 14[c]]</i>	953,397	1,141,418	1,327,138
Inventory	187,154	170,666	196,573
Prepaid expenses and other assets	197,890	205,044	110,606
Total current assets	3,882,519	4,043,538	4,205,963
Investments <i>[note 4]</i>	13,261,974	11,607,373	10,507,712
Car and staff housing loans <i>[note 5]</i>	512,550	509,595	533,154
Capital assets, net <i>[note 6]</i>	2,974,624	3,105,720	3,261,261
	20,631,667	19,266,226	18,508,090
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	1,342,325	1,278,297	2,000,499
Deferred contributions <i>[note 7]</i>	2,172,305	1,413,397	1,385,584
Total current liabilities	3,514,630	2,691,694	3,386,083
Annuities <i>[note 8]</i>	1,767,410	1,677,271	1,913,235
Total liabilities	5,282,040	4,368,965	5,299,318
Contingencies and commitments <i>[notes 2[e] and 15]</i>			
Net assets			
Unrestricted	1,516,652	1,331,206	1,430,383
Internally designated <i>[note 9]</i>	9,926,289	9,865,203	7,916,748
Endowments <i>[note 10]</i>	3,906,686	3,700,852	3,861,641
Total net assets	15,349,627	14,897,261	13,208,772
	20,631,667	19,266,226	18,508,090

See accompanying notes

DRAFT FOR DISCUSSION

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31

	2012 \$	2011 \$
REVENUE		
Contributions from dioceses	8,382,293	8,310,798
Anglican Journal	1,709,263	2,087,044
Resources for Mission	964,529	879,998
ABC Publishing	267,090	276,440
Other [note 14[b]]	631,721	610,491
	11,954,896	12,164,771
EXPENSES		
Council of the North grants	2,251,776	2,416,740
Anglican Journal	2,211,665	2,671,370
Administration [note 12]	1,465,302	1,479,422
Resources for Mission [note 12]	1,103,735	904,381
Governance [note 14[b]]	968,586	936,562
Relationships	930,787	919,210
Indigenous Ministries	871,319	427,801
Communications and Information Resources [note 12]	856,598	757,615
Primate and House of Bishops	526,740	479,918
Faith, Worship and Ministry	497,057	384,339
Diocesan support [note 12]	396,854	426,613
ABC Publishing [note 12]	172,779	196,417
Miscellaneous	154,887	220,435
	12,408,085	12,220,823
Deficiency of revenue over expenses for the year before the following	(453,189)	(56,052)
Investment income (loss) [note 11]	671,052	(164,842)
Undesignated legacies	28,669	2,070,172
Excess of revenue over expenses for the year	246,532	1,849,278

See accompanying notes

DRAFT FOR DISCUSSION

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Years ended December 31

	Unrestricted		Internally designated		Endowments		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$	\$	\$
				<i>[note 9]</i>		<i>[note 10]</i>		
Net assets, beginning of year	1,331,206	1,430,383	9,865,203	7,916,748	3,700,852	3,861,641	14,897,261	13,208,772
Excess of revenue over expenses for the year	246,532	1,849,278	—	—	—	—	246,532	1,849,278
Transfer to internally designated net assets <i>[note 9]</i>	(61,086)	(1,948,455)	61,086	1,948,455	—	—	—	—
Endowment contributions <i>[note 10]</i>	—	—	—	—	—	21,901	—	21,901
Investment income (loss) allocated to externally restricted endowments <i>[note 11]</i>	—	—	—	—	205,834	(182,690)	205,834	(182,690)
Net assets, end of year	1,516,652	1,331,206	9,926,289	9,865,203	3,906,686	3,700,852	15,349,627	14,897,261

See accompanying notes

DRAFT FOR DISCUSSION

The General Synod of the Anglican Church of Canada

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31

	2012 \$	2011 \$
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	246,532	1,849,278
Add item not affecting cash		
Amortization	178,512	213,274
Net change in non-cash working capital balances related to operations	1,001,623	(577,200)
Reinvested investment (income) loss	(671,052)	164,842
Cash provided by operating activities	755,615	1,650,194
INVESTING ACTIVITIES		
Purchase of capital assets	(47,416)	(57,733)
Contributions to Consolidated Trust Fund, net	(777,715)	(1,447,193)
(Decrease) increase in car and staff housing loans	(2,955)	23,559
Issuance of annuities	386,320	133,400
Other changes in annuities, net	(296,181)	(369,364)
Cash used in investing activities	(737,947)	(1,717,331)
FINANCING ACTIVITIES		
Endowment contributions	—	21,901
Cash provided by financing activities	—	21,901
Net change in cash and cash equivalents during the year	17,668	(45,236)
Cash and cash equivalents, beginning of year	2,526,410	2,571,646
Cash and cash equivalents, end of year	2,544,078	2,526,410

See accompanying notes

DRAFT FOR DISCUSSION

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

1. PURPOSE OF THE ORGANIZATION AND BASIS OF PRESENTATION

The General Synod of the Anglican Church of Canada ["General Synod"] was incorporated by Act of Parliament in 1921 as the central representative body of the Anglican Church of Canada [the "Church"] with authority and jurisdiction in all matters affecting in any way the general interest and well being of the whole Church including: relations of the Church to other religious bodies in Canada and elsewhere; relations of the Church to the worldwide Anglican Communion; the definition of the doctrines of the Church in harmony with the Solemn Declaration adopted in 1893; structural uniformity in relation to the episcopal prerogative of licensing clergy; the basic standards of theological education and the qualifications and training of candidates for the ministry of the Church; and as a partner in the worldwide Anglican Communion and in the universal church, to proclaim and celebrate the gospel of Jesus Christ in worship and action.

General Synod is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes.

The consolidated financial statements include the assets, liabilities, net assets, revenue and expenses of General Synod and The Missionary Society of the Anglican Church of Canada ["The Missionary Society"].

2. RESIDENTIAL SCHOOLS CLAIMS

[a] On March 11, 2003, General Synod and The Missionary Society signed an agreement with the Government of Canada [the "Settlement Agreement"] to establish a process for dealing with claims related to the operation of residential schools and to establish a framework to apportion and pay liabilities related to these claims. The Settlement Agreement provided that General Synod, The Missionary Society and all dioceses in Canada [the "Anglican Entities"] would contribute a total of \$25,000,000 to the Settlement Fund over a period of five years commencing March 14, 2003. In 2003, General Synod contributed \$3,000,000, representing its share of the \$25,000,000 in accordance with the Settlement Agreement. The Settlement Fund is operated and managed by a separate corporation, The Anglican Church of Canada Resolution Corporation ["ACCRC"].

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

- [b] As a result of the Government of Canada entering into a more favourable agreement with entities related to the Roman Catholic Church [the "Catholic Entities"], the Government of Canada entered into an agreement with the Anglican Entities and other parties setting out a new process and revised funding arrangements for residential schools related claims [the "2006 Indian Residential Schools Settlement Agreement"]. In addition, the Government of Canada entered into an agreement with the Anglican Entities amending the Settlement Agreement with an implementation date of September 19, 2007 [the "Anglican Amending Agreement"].
- [c] Under the Anglican Amending Agreement, the maximum amount the Anglican Entities are required to contribute towards Indian Residential Schools ["IRS"] Abuse Claims and healing and reconciliation is \$15,687,188. This amount is calculated based on the maximum amount that the Catholic Entities are required to contribute towards IRS Abuse Claims and healing and reconciliation as set out in an agreement with the Government of Canada. As a result, a portion of the amount contributed to ACCRC by the Anglican Entities in prior years was refunded. The amount refunded to General Synod by ACCRC of \$1,179,871 was recorded as revenue in the consolidated statement of operations in 2007.
- [d] Under the Anglican Amending Agreement, a fund called the Anglican Fund for Healing and Reconciliation [the "AFHR"] was established in ACCRC to provide grants for healing and reconciliation. The AFHR is administered by General Synod on behalf of ACCRC and costs incurred and grants made are reimbursed by ACCRC [note 14[c]].
- [e] General Synod is co-defendant with the Government of Canada and certain dioceses in a number of legal cases involving substantial claims arising from the operation of IRS. The Anglican Amending Agreement provides that the Government of Canada will be responsible for payment of all further amounts related to residential schools claims covered by the Settlement Agreement.

Certain other outstanding claims, such as those where the cause of action is not related to an intentional tort [e.g., for loss or diminution of aboriginal language or culture], are not covered by the Settlement Agreement for a limited number of people who opted out of the 2006 Indian Residential Schools Settlement Agreement. As well, there are possible claims not covered by the Settlement Agreement. No provision has been made in these consolidated financial statements for costs, if any, which might arise from a finding of liability in connection with actions not covered by the Settlement Agreement.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Canadian Institute of Chartered Accountants' ["CICA"] Handbook – Accounting Standards for Not-for-Profit Organizations, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Revenue recognition

General Synod follows the deferral method of accounting for contributions, which include grants, bequests and other donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received, since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are deferred when initially recorded in the accounts and recognized as revenue in the year in which the related expenses are recognized. Externally restricted endowment contributions are recognized as direct increases in net assets when initially recorded in the accounts.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the consolidated statements of operations, except to the extent that it is externally restricted, in which case it is added to or deducted from endowment net assets or other restricted balances.

Inventory sales are recognized when title passes. Advertising revenue related to the Anglican Journal is recognized when the publication is distributed.

Grants

Grants are recorded when approved and the recipient has met all conditions.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, units in money market funds and short-term deposits with original maturities of less than 90 days from the date of purchase. Cash and cash equivalents meeting the definition of cash and cash equivalents that are held for investing rather than operating purposes are classified as long-term investments.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Inventory

Inventory comprises stock of ABC Publishing, which is carried at the lower of cost, as determined using the first-in, first-out method, and net realizable value.

Capital assets

Capital assets are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets over the following periods:

Building	40 years
Furniture and equipment	3 to 10 years

Annuities

Annuities are recorded at the greater of: [i] the net present value of the future obligations as determined by an actuary; and [ii] the amounts contributed, net of an administration fee, plus income earned less annuity payments. Any amount remaining in an annuitant's account upon the death of the annuitant is payable to the designated beneficiary.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

Foreign currency translation

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the transaction date. Monetary assets and liabilities are translated into Canadian dollars at exchange rates in effect at the dates of the consolidated statements of financial position. Non-monetary assets and liabilities are translated at the historic rate. Exchange gains and losses are included in the consolidated statements of operations, except to the extent that they relate to investments, in which case they are accounted for consistent with investment income (loss).

Allocation of expenses

The costs of each program include the costs of personnel and other expenses that are directly related to providing the program. General support and other costs are not allocated except for certain personnel costs allocated to diocesan support expenses and ABC Publishing expenses.

Personnel costs are allocated based on the time spent by personnel providing support to dioceses and ABC Publishing.

Contributed materials and services

Contributed materials and services are not recognized in these consolidated financial statements.

Pension plan

Defined contribution plan accounting is applied to the multi-employer defined benefit plan, whereby contributions are expensed on an accrual basis, since General Synod has insufficient information to apply defined benefit plan accounting.

4. INVESTMENTS

Investments of General Synod are held in The Anglican Church of Canada Consolidated Trust Fund ["The Consolidated Trust Fund"], a trust that invests funds of General Synod and other organizations. The Consolidated Trust Fund investments are managed by Connor, Clark & Lunn Private Capital Ltd. General Synod provides administrative support to The Consolidated Trust Fund at no cost.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

As at December 31, General Synod's shares of The Consolidated Trust Fund's investments, which are recorded at market value, consist of the following:

	December 31, 2012		December 31, 2011		January 1, 2011	
	\$	%	\$	%	\$	%
Cash and cash equivalents	227,457	2	119,687	1	55,335	1
Fixed income						
Pooled fund	7,048,882	53	6,026,124	52	5,158,369	49
Total fixed income	7,048,882	53	6,026,124	52	5,158,369	49
Equities						
Canadian equities	3,957,598	30	4,088,400	35	3,883,832	37
U.S. equities	1,116,972	8	722,432	6	681,423	6
Global pooled equity funds	911,065	7	650,730	6	728,753	7
Total equities	5,985,635	45	5,461,562	47	5,294,008	50
	13,261,974	100	11,607,373	100	10,507,712	100

5. CAR AND STAFF HOUSING LOANS

Car and staff housing loans consist of the following:

	December 31, 2012	December 31, 2011	January 1, 2011
	\$	\$	\$
Car loans, non-interest bearing, due within 40 months of date of issue, guaranteed by dioceses	182,788	164,799	181,938
Staff housing loans, with interest payable at 5%, due 2037	329,762	344,796	351,216
	512,550	509,595	533,154

Car loans are available to clergy and lay workers in the assisted dioceses, with the maximum individual loan being \$9,000.

Staff housing loans were provided to certain staff who came to work in Toronto having previously been resident outside the Greater Toronto Area.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

6. CAPITAL ASSETS

Capital assets consist of the following:

	December 31, 2012	
	Cost \$	Accumulated Amortization \$
Building	3,403,568	537,562
Furniture and equipment	2,510,974	2,402,356
	5,914,542	2,939,918
Less accumulated amortization	2,939,918	
Net book value	2,974,624	
	December 31, 2011	
	Cost \$	Accumulated Amortization \$
Building	3,387,229	451,801
Furniture and equipment	2,479,897	2,309,605
	5,867,126	2,761,406
Less accumulated amortization	2,761,406	
Net book value	3,105,720	
	January 1, 2011	
	Cost \$	Accumulated Amortization \$
Building	3,378,035	366,359
Furniture and equipment	2,431,358	2,181,773
	5,809,393	2,548,132
Less accumulated amortization	2,548,132	
Net book value	3,261,261	

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

7. DEFERRED CONTRIBUTIONS

[a] Deferred contributions represent externally restricted funds received by General Synod to be spent in future years. Deferred contributions are held for various restricted purposes including education, bursaries and work of the Church in the North and overseas. Revenue recognized in the consolidated statements of operations with respect to these contributions received for restricted purposes is equal to expenses incurred for the restricted purposes during the year.

[b] The continuity of the deferred contributions balance is as follows:

	2012	2011
	\$	\$
Increases		
Donations, grants and bequests	1,472,995	470,354
Investment income <i>[note 11]</i>	128,692	68,089
	1,601,687	538,443
Decreases		
Income recognized related to expenses for restricted purposes	842,779	510,630
Net increase in deferred contributions	758,908	27,813
Balance, beginning of year	1,413,397	1,385,584
Balance, end of year	2,172,305	1,413,397

8. ANNUITIES

In fiscal 2004, as part of its planned giving program, General Synod resumed selling charitable gift annuities to individuals where General Synod retained the liability for the ongoing annuity payments. A charitable gift annuity permits the donor to designate a beneficiary who receives any residual funds upon the death of the annuitant. These beneficiaries include dioceses, parishes, The Anglican Foundation of Canada, Primate's World Relief and Development Fund, and General Synod.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

9. INTERNALLY DESIGNATED NET ASSETS

Internally designated net assets are amounts set aside for various special purposes based on decisions by General Synod. The amounts internally designated are for the following purposes as at:

	December 31, 2012 \$	December 31, 2011 \$	January 1, 2011 \$
Amounts invested in capital assets	2,974,624	3,105,720	3,261,261
Provision for Sacred Circle - 2015 meeting	292,247	425,000	200,000
Provision for Nationwide Fundraising Initiative	114,200	232,630	217,914
Provision for contingencies	540,341	240,341	79,528
Provision for General Synod			
2013 meeting	647,484	419,343	182,509
2016 meeting	100,000	—	—
Ministry Investment Fund	3,743,163	3,929,939	2,463,306
Other	1,514,230	1,512,230	1,512,230
	9,926,289	9,865,203	7,916,748

The Ministry Investment Fund includes a portion of undesignated legacies that are restricted for internal projects that meet certain criteria.

10. ENDOWMENTS

Endowments represent contributions where the donor has required that the capital be maintained permanently with the income available for various purposes, primarily for the work of the Church overseas.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

11. INVESTMENT INCOME

Investment income includes interest, dividends, income distribution from pooled funds, and realized and unrealized gains and losses. The amount of investment income recognized as revenue is as follows:

	2012 \$	2011 \$
Total investment income (loss)	1,189,798	(326,736)
Allocated to		
Externally restricted endowments	205,834	(182,690)
Deferred contributions related to <i>[note 7[b]]</i>		
Endowments	123,178	75,038
Other	5,514	(6,949)
Annuities	184,220	(47,293)
	518,746	(161,894)
Investment income (loss) recognized in consolidated statements of operations	671,052	(164,842)

12. ALLOCATION OF EXPENSES

Diocesan support expenses include \$148,289 [2011 - \$102,490] of expenses allocated from Resources for Mission expenses related to support provided by General Synod employees to the dioceses.

ABC Publishing expenses include \$14,128 [2011 - \$24,177] related to information resources and \$26,000 [2011 - \$26,000] of administration expenses allocated to ABC Publishing related to the support provided to this program.

13. PENSION PLAN

General Synod and its employees make contributions to the General Synod Pension Plan [the "Plan"], a multi-employer defined benefit pension plan administered by the Board of Trustees of the Plan which covers certain dioceses and other church institutions. The most recent valuation for financial reporting purposes completed by the General Synod as of August 31, 2012 disclosed net assets available for benefits of \$578,797,000 with pension obligations of \$607,526,000, resulting in a deficit of \$28,729,000.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

14. THE ANGLICAN CHURCH OF CANADA RESOLUTION CORPORATION

- [a] ACCRC was incorporated to operate and manage the Settlement Fund, contributed into by the Anglican Entities pursuant to the Settlement Agreement and the Anglican Amending Agreement *[note 2]*. ACCRC is under the management and administration of three trustees appointed by General Synod.
- [b] General Synod provides administrative support to ACCRC including the AFHR *[note 2[d]]* and makes payments on behalf of ACCRC. In 2012, administration costs incurred by General Synod in connection with the AFHR and reimbursed by ACCRC amounted to \$155,072 [2011 - \$137,757]. The expense is included in governance expenses in the consolidated statements of operations and the reimbursement in other revenue. Grants paid by General Synod on behalf of the AFHR and reimbursed by ACCRC amounted to \$263,054 [2011 - \$253,369].
- [c] As at December 31, 2012, an amount of \$265,797 [December 31, 2011 – \$214,996; January 1, 2011 - \$236,300] due from ACCRC is included in accounts receivable. Amounts due from ACCRC are non-interest bearing and due on demand.

15. CONTINGENCIES

- [a] General Synod's contingent liabilities in connection with IRS claims are described in note 2[e].
- [b] General Synod is a defendant or co-defendant with several dioceses in a number of other legal claims. The potential liability, if any, with respect to these claims is not determinable. However, General Synod believes it has good defences to these claims or adequate insurance coverage for any successful claims. Any additional losses related to claims would be recorded in the year during which the amount of the liability is able to be estimated or adjustments to the amount recorded are determined to be required.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

16. FINANCIAL INSTRUMENTS

General Synod is exposed to various financial risks through transactions in financial instruments.

Currency risk

General Synod is exposed to foreign currency risk with respect to the underlying investments held in The Consolidated Trust Fund denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

General Synod is exposed to credit risk in connection with its accounts receivable and the short-term and fixed income investments held in The Consolidated Trust Fund because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

Interest rate risk

General Synod is exposed to interest rate risk with respect to the investments in fixed income investments held in The Consolidated Trust Fund and its annuities payable because the fair value will fluctuate due to changes in market interest rates.

Other price risk

General Synod is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with the investments in equity securities held in The Consolidated Trust Fund.

17. LINE OF CREDIT

General Synod has a demand operating line of credit of \$2,000,000 with interest payable at prime plus 1.0% with substantially all of its assets pledged as security. As at December 31, 2012 and 2011, no amount was outstanding.

The General Synod of the Anglican Church of Canada

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012

**18. FIRST-TIME ADOPTION OF ACCOUNTING STANDARDS FOR
NOT-FOR-PROFIT ORGANIZATIONS**

These financial statements are the first financial statements which General Synod has prepared in accordance with Part III of the CICA Handbook – Accounting, which constitutes generally accepted accounting principles for not-for-profit organizations in Canada. First-time adoption of this new basis of accounting had no impact on excess of revenue over expenses for the year ended December 31, 2011, or net assets as at January 1, 2011, the date of transition.