
THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Consolidated Financial Statements
Year Ended December 31, 2016

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
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Year Ended December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

Most Reverend Brian Dunn, Bishop of The Catholic Episcopal Corporation of Antigonish

We have audited the accompanying consolidated financial statements of The Catholic Episcopal Corporation of Antigonish, which comprise the consolidated statement of financial position as at December 31, 2016 and the consolidated statements of operations and change in operating fund balance, changes in fund balances and cash flows for the year then ended, 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.

Auditor's Responsibility

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

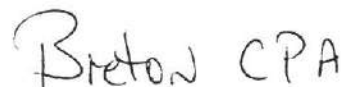
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Catholic Episcopal Corporation of Antigonish as at December 31, 2016 and the results of its operations and its cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Sydney, Nova Scotia
May 18, 2017



Licensed Public Accountants

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Consolidated Statement of Financial Position
December 31, 2016

| | 2016 | 2015 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current | | |
| Accounts receivable (Note 3) | \$ 1,506,129 | \$ 1,798,601 |
| Property held for sale | 58,863 | 55,044 |
| Inventory | 30,341 | 39,431 |
| Prepaid expenses | 4,190 | 6,349 |
| | <u>1,599,523</u> | <u>1,899,425</u> |
| Capital assets (Note 4) | 357,449 | 370,618 |
| Investments (Note 5) | 55,237 | 53,419 |
| Loans receivable (Note 6) | 56,785 | 56,712 |
| Restricted cash (Note 7) | 2,582,528 | 2,138,097 |
| Defined benefit pension asset (Note 8) | 576,518 | 177,291 |
| | <u>\$ 5,228,040</u> | <u>\$ 4,695,562</u> |
| LIABILITIES | | |
| Current | | |
| Bank indebtedness (Note 9) | \$ 760,935 | \$ 790,730 |
| Accounts payable and accrued liabilities (Note 10) | 1,248,958 | 1,081,613 |
| Current portion of loans payable (Note 11) | 13,009 | 13,008 |
| Current portion of civil settlement liability | - | 170,978 |
| | <u>2,022,902</u> | <u>2,056,329</u> |
| Loans payable (Note 11) | 4,407,566 | 4,520,567 |
| Deferred contributions (Note 12) | 22,320 | 11,830 |
| | <u>6,452,788</u> | <u>6,588,726</u> |
| NET DEFICIENCY | | |
| Clergy fund | 52,583 | 33,924 |
| Reserve for self insurance | 98,671 | 91,284 |
| Equity in capital assets | 357,449 | 370,618 |
| Equity from operations | 2,002,156 | 1,636,058 |
| Property settlement fund | (5,492,698) | (5,650,244) |
| Shepherd's trust fund | 119,846 | 119,846 |
| Faith development fund | 24,392 | 27,442 |
| Programming fund | 351,356 | 286,356 |
| Sabbatical fund | 311,561 | 318,561 |
| St. Joseph Society fund | 143,696 | 64,962 |
| Education of priests and lay fund | 400,000 | 400,000 |
| Development of persons fund | 400,000 | 400,000 |
| Rebuilding my people - the church fund | 6,240 | 8,029 |
| | <u>(1,224,748)</u> | <u>(1,893,164)</u> |
| | <u>\$ 5,228,040</u> | <u>\$ 4,695,562</u> |

Approved by

_____ Member

_____ Member

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Consolidated Statement of Changes in Fund Balances
Year Ended December 31, 2016

| | Clergy Fund | Reserve for Self Insurance | Equity in Capital Assets | Property Settlement Fund | Shepherd's Trust Fund | Faith Development Fund | Programming Fund |
|---|-------------|----------------------------|--------------------------|--------------------------|-----------------------|------------------------|------------------|
| Revenue | | | | | | | |
| Donations, bequests and other | \$ - | \$ - | \$ - | \$ 7,000 | \$ 29,803 | \$ 1,500 | \$ 65,000 |
| Other | - | 12,387 | - | 1,308 | - | - | - |
| Gain (loss) on disposal of capital assets | - | - | (9,779) | - | - | - | - |
| Property sales | - | - | - | 496,260 | - | - | - |
| Clergy donations | - | - | - | 1,000 | - | - | - |
| | - | 12,387 | (9,779) | 505,568 | 29,803 | 1,500 | 65,000 |
| Expenditures | | | | | | | |
| Insurance claims paid | - | 5,000 | - | - | - | - | - |
| Amortization | - | - | 21,956 | - | - | - | - |
| Disbursements | 27,811 | - | - | 14,433 | - | - | - |
| Professional fees | - | - | - | 4,080 | - | 4,550 | - |
| Interest and bank charges | - | - | - | 128,250 | - | - | - |
| Travel and meetings | - | - | - | - | - | - | - |
| Property - taxes, utilities and other | - | - | - | 254,925 | - | - | - |
| Property - legal and commissions | - | - | - | 39,342 | - | - | - |
| Programming grants | - | - | - | - | - | - | - |
| | 27,811 | 5,000 | 21,956 | 441,030 | - | 4,550 | - |
| Excess (deficiency) of revenue over expenditures | (27,811) | 7,387 | (31,735) | 64,538 | 29,803 | (3,050) | 65,000 |
| Fund balances, beginning of year | 33,924 | 91,284 | 370,618 | (5,650,244) | 119,846 | 27,442 | 286,356 |
| Interfund transfers, net | 46,470 | - | 18,566 | 93,008 | (29,803) | - | - |
| Fund balances, end of year | \$ 52,583 | \$ 98,671 | \$ 357,449 | \$ (5,492,698) | \$ 119,846 | \$ 24,392 | \$ 351,356 |

See Notes to Financial Statements
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THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Consolidated Statement of Changes in Fund Balances - Continued
Year Ended December 31, 2016

| | St. Joseph Society Fund | Education of Priests and Lay People | Development of Persons Fund | Sabbatical Fund | Rebuild My People - The Church Fund | 2016 Total | 2015 Total |
|---|-------------------------|-------------------------------------|-----------------------------|-----------------|-------------------------------------|----------------|----------------|
| Revenue | | | | | | | |
| Donations, bequests and other | \$ 62,612 | \$ - | \$ - | \$ - | \$ - | \$ 62,612 | \$ 390,041 |
| Other | 16,159 | - | - | - | - | 16,159 | 12,723 |
| Gain (loss) on disposal of capital assets | - | - | - | - | - | - | - |
| Property sales | - | - | - | - | - | - | - |
| Clergy donations | - | - | - | - | - | - | - |
| | 78,771 | - | - | - | - | 78,771 | 261,468 |
| | | | | | | | 1,000 |
| | | | | | | | 9,010 |
| Expenditures | | | | | | | |
| Insurance claims paid | - | - | - | - | - | - | 683,242 |
| Amortization | - | - | - | - | - | - | - |
| Disbursements | - | - | - | - | - | - | 5,000 |
| Professional fees | - | - | - | 7,000 | - | 7,000 | 21,956 |
| Interest and bank charges | - | - | - | - | - | - | 53,794 |
| Travel and meetings | 37 | - | - | - | - | 37 | 35,956 |
| Property - taxes, utilities and other | - | - | - | - | 1,789 | 1,789 | 40,811 |
| Property - legal and commissions | - | - | - | - | - | - | 128,287 |
| Programming grants | - | - | - | - | - | - | 1,789 |
| | - | - | - | - | - | - | 254,925 |
| | - | - | - | - | - | - | 39,342 |
| | 37 | - | - | 7,000 | 1,789 | 7,826 | - |
| | | | | | | | 509,173 |
| Excess (deficiency) of revenue over expenditures | 78,734 | - | - | (7,000) | (1,789) | 70,945 | 630,912 |
| Fund balances, beginning of year | 64,962 | 400,000 | 400,000 | 318,561 | 8,029 | 1,771,552 | 42,330 |
| Interfund transfers, net | - | - | - | - | - | - | (3,529,222) |
| | | | | | | | 128,241 |
| Fund balances, end of year | \$ 143,696 | \$ 400,000 | \$ 400,000 | \$ 311,561 | \$ 6,240 | \$ (3,226,904) | \$ (3,529,222) |

See Notes to Financial Statements

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Consolidated Statement of Operations and Changes in Operating Fund Balance
Year Ended December 31, 2016

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Revenue | | |
| Levy | \$ 964,904 | \$ 908,476 |
| Donations and bequests | 174,920 | 167,989 |
| Loan interest | 5,584 | 8,099 |
| Investment earnings | 3,762 | 2,482 |
| Other | 244 | 2,574 |
| | <u>1,149,414</u> | <u>1,089,620</u> |
| Expenditures | | |
| Administrative (Schedule 2) | 455,359 | 492,770 |
| Programs (Schedule 1) | 425,516 | 355,725 |
| Properties (Schedule 2) | 100,223 | 115,449 |
| Pastoral (Schedule 2) | 60,141 | 64,019 |
| Grants (Schedule 2) | 13,063 | 25,104 |
| | <u>1,054,302</u> | <u>1,053,067</u> |
| Excess of revenue over expenditures from operations | 95,112 | 36,553 |
| Balance, beginning of year | 1,636,058 | 2,161,110 |
| Interfund transfers, net | (128,241) | 99,517 |
| Remeasurement, pension plan | 399,227 | (661,122) |
| | <u>1,907,044</u> | <u>1,599,505</u> |
| Balance, end of year | \$ 2,002,156 | \$ 1,636,058 |

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH

Consolidated Statement of Cash Flow

Year Ended December 31, 2016

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Cash flows from operating activities | | |
| Excess of revenue over expenditures | \$ 95,112 | \$ 36,553 |
| Changes in non-cash working capital: | | |
| Accounts receivable | 292,474 | (146,139) |
| Property held for sale | (3,819) | (55,044) |
| Inventory | 9,090 | 33,693 |
| Prepaid expenses | 2,159 | - |
| Accounts payable and accrued liabilities | 81,810 | 282,416 |
| Deferred revenue | 85,533 | 8,284 |
| Current portion of loans payable | 1 | (345,892) |
| | <u>467,248</u> | <u>(222,682)</u> |
| | <u>562,360</u> | <u>(186,129)</u> |
| Cash flows from financing activities | | |
| Loans receivable | (72) | 436 |
| Defined benefit pension asset | (399,227) | 661,122 |
| Deferred contributions | 10,490 | (115,806) |
| Civil settlement liability | (170,978) | (170,978) |
| | <u>(559,787)</u> | <u>374,774</u> |
| Cash flows from investing activities | | |
| Investments | (1,818) | (591) |
| Repayment of long term debt | (113,001) | (26,016) |
| Reserve for self insurance | 7,387 | (12,323) |
| Pension plan remeasurement | 399,227 | (661,122) |
| Clergy fund | 18,658 | 15,807 |
| Net transfer to (from) operations | (128,241) | 99,517 |
| Faith development fund | (3,050) | (224) |
| Programming fund | 65,000 | (723,674) |
| Property settlement fund | 157,546 | (163,595) |
| Sabbatical fund | (7,000) | - |
| St. Joseph Society fund | 78,734 | 64,962 |
| Education of priests and lay fund | - | 400,000 |
| Development of persons fund | - | 400,000 |
| Rebuilding my people - the church fund | (1,789) | 2,546 |
| | <u>471,653</u> | <u>(604,713)</u> |
| Change in cash | 474,226 | (416,068) |
| Cash, beginning of year | <u>1,347,367</u> | <u>1,763,435</u> |
| Cash, end of year | <u>\$ 1,821,593</u> | <u>\$ 1,347,367</u> |
| Cash consists of: | | |
| Cash | \$ (760,935) | \$ (790,730) |
| Restricted cash | <u>2,582,528</u> | <u>2,138,097</u> |
| | <u>\$ 1,821,593</u> | <u>\$ 1,347,367</u> |

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH

Notes to Consolidated Financial Statements

Year Ended December 31, 2016

1. PURPOSE OF THE CORPORATION

The Catholic Episcopal Corporation of Antigonish (the "Corporation") is a not-for-profit organization incorporated by an act of the Nova Scotia Legislature. The Corporation is the Temporal entity of the Roman Catholic Diocese of Antigonish, and as such is a registered charity and exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

These consolidated financial statements include all of the assets, liabilities, revenue and expenditures of the Corporation for which the Bishop has direct administrative control. They do not include the assets, liabilities, revenue and expenditures of individual parishes and missions throughout the Diocese.

Specific operations included in these consolidated financial statements are:

- a) Corporation General Fund
- b) Diocesan Pastoral Centre
- c) Antigonish Diocesan Services
- d) Diocesan Offices and Programs
 - Chaplaincy
 - Matrimonial Tribunal - Central Office
 - Faith Formation
 - Pastoral Zoning
 - Diaconate
 - Emmaus Centre
 - Mass for Shut-Ins
 - Liturgical/Renewal
 - Stipend
 - Vocations/Social Justice
 - History Project
 - Youth Ministry
 - Communication
 - Villa Madonna

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO) which include the following significant accounting policies:

Revenue recognition

The Catholic Episcopal Corporation of Antigonish follows the restricted fund method of accounting for contributions.

Restricted contributions are recognized as revenue in the year in which they are received.

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THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH

Notes to Consolidated Financial Statements

Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contributed services

The operations of the Corporation depend on the contribution of time and resources by volunteers. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

Investments

Marketable securities are carried at market. Remaining investments are recorded at the lower of cost or market value.

Capital assets

Capital assets are stated at cost, when available, less accumulated amortization. Capital assets are amortized over their estimated useful lives on a straight-line basis:

| | |
|------------------------|----------|
| Buildings | 40 years |
| Motor vehicles | 5 years |
| Computer equipment | 4 years |
| Furniture and fixtures | 10 years |

Income taxes

The Corporation is a registered charity and as such is exempt from income taxes.

Employee future benefits

The Corporation is the sponsor of a defined benefit pension plan under which all eligible employees and priests are entitled to benefits based on their length of service and rates of pay. The Corporation has adopted the following policies:

The accrued benefit obligation and plan assets are measured using the funding valuation on a going concern basis as prepared by its external actuary.

Remeasurement gains and losses arising from the defined benefit plan are recognized immediately as a change in operating fund balance while any funding surplus or deficiency is recognized as an asset or liability on the consolidated statement of financial position.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenditures during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

(continues)

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits net of cheques issued and outstanding.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

Donated goods

Donated goods are recorded at their fair market value at the time of the donation.

3. ACCOUNTS RECEIVABLE

| | 2016 | 2015 |
|---------------------------------|--------------|--------------|
| Levy | \$ 696,346 | \$ 975,685 |
| Insurance | 350,751 | 569,636 |
| Payroll | 316,849 | 593,920 |
| Harmonized Sales Tax | 221,826 | 80,867 |
| Other | 134,778 | 154,954 |
| | 1,720,550 | 2,375,062 |
| Allowance for doubtful accounts | (214,421) | (576,461) |
| | \$ 1,506,129 | \$ 1,798,601 |

4. CAPITAL ASSETS

| | Cost | Accumulated amortization | 2016 Net book value | 2015 Net book value |
|------------------------|------------|-----------------------------|---------------------------|---------------------------|
| Land | \$ 144,754 | \$ - | \$ 144,754 | \$ 153,454 |
| Buildings | 500,691 | 318,100 | 182,591 | 179,668 |
| Motor vehicles | 33,185 | 13,274 | 19,911 | 26,548 |
| Computer equipment | 77,385 | 69,082 | 8,303 | 9,870 |
| Furniture and fixtures | 102,343 | 100,453 | 1,890 | 1,078 |
| | \$ 858,358 | \$ 500,909 | \$ 357,449 | \$ 370,618 |

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

5. INVESTMENTS

| | 2016 | 2015 |
|-----------------------|-----------|-----------|
| Marketable securities | \$ 54,337 | \$ 52,519 |
| Atlantic Broadcasters | 900 | 900 |
| | \$ 55,237 | \$ 53,419 |

6. LOANS RECEIVABLE

| | 2016 | 2015 |
|---------------------------------|-----------|-----------|
| Parishes | \$ 81,443 | \$ 90,691 |
| Contingency fund | 61,785 | 57,433 |
| Other | 37,015 | 37,046 |
| | 180,243 | 185,170 |
| Allowance for doubtful accounts | (123,458) | (128,458) |
| | \$ 56,785 | \$ 56,712 |

7. RESTRICTED CASH

| | 2016 | 2015 |
|-------------------------------|--------------|--------------|
| Special Purpose funds | \$ 2,114,859 | \$ 1,725,469 |
| Property Settlement fund | 177,035 | 202,734 |
| Contingency fund | 148,386 | 145,988 |
| Priests' Pension Surplus fund | 142,248 | 63,906 |
| | \$ 2,582,528 | \$ 2,138,097 |

The Special Purpose funds have been internally restricted for the primary purpose of funding the operational programs of the Diocese.

The Property Settlement fund represents monies held to service obligations incurred as a result of the Class Action Settlement reached in prior years.

The Contingency fund balance has been externally restricted for the primary purpose of funding emergency capital expenditures of parishes within the Diocese or to supplement Diocesan cash flow requirements to the extent of outstanding receivables from parishes related to recurring costs such as insurance or the Diocesan levy.

The Priests' Pension Surplus fund represent donated funds held to service future pension fund obligations.

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

8. DEFINED BENEFIT PENSION ASSET

Summarized financial information regarding the Corporation's defined benefit pension plan is as follows:

| | 2016 | 2015 |
|----------------------------|--------------|--------------|
| Plan assets | \$ 4,401,854 | \$ 3,769,851 |
| Accrued benefit obligation | (3,825,336) | (3,592,560) |
| Net pension asset | \$ 576,518 | \$ 177,291 |

The Corporation adopted a discount rate of 4% (2015- 4%) in measuring accrued benefit obligations on an actuarial basis. A valuation of the plan assets was carried out in March 2014.

In September 2014, the Corporation approved an annuity purchase for fifty-four recipients of the defined benefit pension plan who were collecting benefits at that time. The cost of the annuity purchase was \$7,827,594. The Corporation continues to have an obligation for the twenty seven remaining defined benefit pension plan members.

9. CREDIT FACILITIES

The Corporation has available an operating line of credit with an authorized limit of \$75,000. This line of credit bears interest at a rate of prime plus 3.5% and is secured by a general security agreement over all assets of the Corporation. The Corporation also has a credit card available with an authorized limit of \$75,000. Both of these facilities are with the Royal Bank of Canada.

The Corporation also has available a credit facility from the Royal Bank of Canada with a \$300,000 limit. These funds are to be utilized for Parish capital projects.

At year end none of these facilities had been utilized. Bank indebtedness consists of cheques issued in excess of funds on deposit.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2016 | 2015 |
|-----------------------|--------------|--------------|
| Insurance | \$ 437,029 | \$ 421,277 |
| St. Joseph Society | 678,131 | 483,837 |
| Special purpose funds | 2,935 | 12,041 |
| Trade payables | 130,863 | 164,458 |
| | \$ 1,248,958 | \$ 1,081,613 |

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

11. LONG TERM DEBT

| | 2016 | 2015 |
|--|---------------------|---------------------|
| Royal Bank of Canada loan bearing interest at prime plus 3.5% per annum, repayable in monthly principal payments of \$1,083 plus interest. The loan matures on May 31, 2022 and is secured by general security agreement over all assets. | \$ 20,575 | \$ 33,575 |
| Note Payable. This note, from another Canadian Diocese, bears interest at prime. Interest only payments for five years. Principal repayments to commence in 2018 over twenty (20) years. Secured by a floating charge over all assets, real and immovable property of the Corporation. Total credit available is \$5,000,000. | <u>4,400,000</u> | <u>4,500,000</u> |
| | 4,420,575 | 4,533,575 |
| Amounts payable within one year | <u>(13,009)</u> | <u>(13,008)</u> |
| | <u>\$ 4,407,566</u> | <u>\$ 4,520,567</u> |

These loans are secured by a general security agreement over all assets of the Corporation and a collateral mortgage on a specific property.

Principal repayment terms are approximately:

| | |
|------------|---------------------|
| 2017 | \$ 13,009 |
| 2018 | 232,566 |
| 2019 | 225,000 |
| 2020 | 225,000 |
| 2021 | 225,000 |
| Thereafter | <u>3,500,000</u> |
| | <u>\$ 4,420,575</u> |

12. DEFERRED CONTRIBUTIONS

| | 2016 | 2015 |
|----------------------------|------------------|------------------|
| Balance, beginning of year | \$ 11,830 | \$ 127,636 |
| Collections | 266,721 | 162,627 |
| Expenditures | <u>(256,231)</u> | <u>(278,433)</u> |
| Balance, end of year | <u>\$ 22,320</u> | <u>\$ 11,830</u> |

Deferred contributions represent amounts collected for disbursements in future periods.

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

13. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) The Corporation has been named a co-defendant in individual actions against other parties. Insufficient information is available to determine whether or not any of the claims will be validated as well as the possibility of additional claims to be made. If the claims are settled, the settlements would not pose a material financial risk to the Corporation. Insufficient information is available to quantify any amount which may become payable by the Corporation at some future date. In the event that a payment were to be made by the Corporation in connection with these alleged incidents, such payment would be recorded as an expenditure of the period in which the payment is made.
- (b) The Corporation has entered into a consolidated banking arrangement with the Royal Bank of Canada whereby the bank accounts of participating parishes are consolidated for the purpose of minimizing banking fees. As a result of this arrangement, the Corporation is contingently liable for any overdrafts of participating parishes.

14. FINANCIAL INSTRUMENTS

The Corporation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Corporation's risk exposure and concentration as of December 31, 2016.

(a) Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation provides credit to Parishes in the normal course of its operations and is exposed to credit risk from these amounts. It continually monitors the ability of parishes to satisfy these receivables and maintains a provision for contingent losses which once they materialize, are consistent with management's forecasts. The Corporation does not run any significant risk with respect to a single parish.

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Corporation is exposed to this risk mainly in respect of its receipt of funds from Parishes and other related sources, loans payable, contributions to the pension plan, and accounts payable.

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency rate risk, interest rate risk and other price risk. The Corporation is mainly exposed to interest rate risk and other price risk.

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its floating interest rate bank indebtedness and credit facilities.

(continues)

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Notes to Consolidated Financial Statements
Year Ended December 31, 2016

14. FINANCIAL INSTRUMENTS *(continued)*

(d) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Corporation is exposed to other price risk through its investment in quoted shares.

All secured financial liabilities have a combined carrying amount of \$5,181,510 (\$5,324,305 in 2015).

Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant other price risks arising from these financial instruments.

15. COMPARATIVE FIGURES

Some of the comparative figures have been reclassified to conform to the current year's presentation.

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Diocesan Offices and Programs - Schedule One
Year Ended December 31, 2016

| | Chaplaincy | Matrimonial Tribunal | Faith Formation | Pastoral Zoning | Diaconate | Emmaus |
|--------------------------|-----------------|----------------------|-----------------|-----------------|-----------------|------------|
| Revenue | | | | | | |
| Fees | \$ - | \$ 1,050 | \$ 2,854 | \$ - | \$ 1,025 | \$ - |
| Sales | - | - | - | - | - | - |
| Other | - | - | 600 | - | 1,000 | - |
| | - | 1,050 | 3,454 | - | 2,025 | - |
| Expenses | | | | | | |
| Office | | | | | | |
| Salaries and benefits | - | 801 | 20 | - | 1,218 | - |
| Programming | 25,448 | 48,644 | 2,400 | - | 7,144 | - |
| Professional development | - | 3,375 | 6,630 | 2,282 | 42,364 | - |
| Travel | - | 2,337 | 2,779 | - | 3,544 | - |
| Property | 8,374 | - | 830 | 1,417 | 3,825 | - |
| Other | - | - | - | - | - | - |
| | 2,467 | 3,460 | - | 290 | 11,273 | - |
| | 36,289 | 58,617 | 12,659 | 3,989 | 69,368 | 14 |
| Net result | (36,289) | (57,567) | (9,205) | (3,989) | (67,343) | (9) |
| Budget | \$ (39,800) | \$ (57,230) | \$ (23,900) | \$ - | \$ (75,000) | \$ (10) |

See Notes to Financial Statements
15

THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH
Diocesan Offices and Programs - Schedule One - Continued
Year Ended December 31, 2016

| | Liturgical - Renewal | Stipends | Vocations/Social Justice | History Project | Youth Ministry | Communication | Villa Madonna | 201 Tot: |
|--------------------------|-------------------------|-----------------|-----------------------------|--------------------|--------------------|--------------------|-------------------|--------------------|
| Revenue | | | | | | | | |
| Fees | \$ 2,520 | \$ 14,660 | - | \$ - | \$ 800 | \$ - | \$ - | \$ 17,980 |
| Sales | - | - | - | - | - | - | - | - |
| Other | - | - | 40,000 | - | - | - | - | 40,000 |
| | <u>2,520</u> | <u>14,660</u> | <u>40,000</u> | <u>800</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>97,980</u> |
| Expenses | | | | | | | | |
| Office | 2,414 | - | - | - | - | 518 | - | 3,442 |
| Salaries and benefits | 21,208 | - | - | 53,618 | 41,314 | 32,576 | - | 148,716 |
| Programming | 1,279 | - | - | - | - | - | - | 1,279 |
| Professional development | 1,359 | - | - | - | - | - | - | 1,359 |
| Travel | 9,169 | - | 850 | - | 5,254 | - | - | 15,273 |
| Property | 1,012 | 10,750 | - | - | 5,231 | 1,863 | - | 18,856 |
| Other | 1,000 | - | 200 | - | - | - | 5,545 | 7,745 |
| | <u>37,441</u> | <u>10,750</u> | <u>1,050</u> | <u>53,618</u> | <u>55,466</u> | <u>41,617</u> | <u>5,545</u> | <u>205,132</u> |
| Net result | <u>\$ (34,921)</u> | <u>\$ 3,910</u> | <u>\$ (1,050)</u> | <u>\$ (13,618)</u> | <u>\$ (54,666)</u> | <u>\$ (41,617)</u> | <u>\$ (5,545)</u> | <u>\$ (42,847)</u> |
| Budget | \$ (48,000) | \$ - | \$ (5,150) | \$ (50,000) | \$ (65,500) | \$ (70,000) | \$ - | \$ (538,650) |

See Notes to Financial Statements
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THE CATHOLIC EPISCOPAL CORPORATION OF ANTIGONISH

**Expenditures - Schedule 2
Year Ended December 31, 2016**

| | 2016 | 2015 |
|-------------------------------------|-------------------|-------------------|
| Administrative | | |
| Chancery office | \$ 158,625 | \$ 166,849 |
| Diocesan office | 232,833 | 220,151 |
| Professional fees | 32,306 | 53,815 |
| Bad debts | 1,723 | 11,905 |
| Interest and fees | 29,872 | 40,050 |
| | <u>\$ 455,359</u> | <u>\$ 492,770</u> |
| Properties | | |
| Pastoral Centre | \$ 57,715 | \$ 59,157 |
| Chancery | 14,127 | 18,947 |
| Bishop's Residence - Antigonish | 19,840 | 37,345 |
| Bishop's Residence - Sydney | 8,541 | - |
| | <u>\$ 100,223</u> | <u>\$ 115,449</u> |
| Pastoral | | |
| Clergy recruitment | \$ 4,014 | \$ 13,000 |
| Sabbatical | 34,703 | 18,090 |
| Education | 585 | 1,482 |
| General assembly | 4,536 | 7,634 |
| Committees | 2,584 | 4,035 |
| Seminarians | 9,907 | 19,778 |
| Council of priests | 672 | - |
| Priest ongoing formation & retreats | 3,140 | - |
| | <u>\$ 60,141</u> | <u>\$ 64,019</u> |
| Grants | | |
| Parishes | \$ 8,063 | \$ 20,104 |
| Family Services | 5,000 | 5,000 |
| | <u>\$ 13,063</u> | <u>\$ 25,104</u> |