

Financial Statements of

**DIOCESAN PASTORAL
CENTRE OF THE BISHOP OF
VICTORIA, CORPORATION
SOLE**

Years ended December 31, 2012 and 2011



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INDEPENDENT AUDITORS' REPORT

To the Bishop of the Diocese of Victoria

We have audited the accompanying financial statements of Diocesan Pastoral Centre of the Bishop of Victoria, Corporation Sole, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, the statements of operations, changes in net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in Note 1 to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in Note 1 to the financial statements; this includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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 audit 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 our 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, we 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 qualified audit opinion.



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Basis of Qualified Opinion

In common with many charitable organizations, the Diocesan Pastoral Centre of the Bishop of Victoria, Corporation Sole derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Diocesan Pastoral Centre of the Bishop of Victoria. Therefore, we were not able to determine whether, as at December 31, 2012, December 31, 2011, and January 1, 2011 and for the years ended December 31, 2012 and December 31, 2011, any adjustments might be necessary to donations and excess of revenues over expenses reported in the statements of operations, excess of revenues over expenses reported in the statements of cash flows and current assets and net assets reported in the statements of financial position.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Diocesan Pastoral Centre of the Bishop of Victoria, Corporation Sole as at December 31, 2012, December 31, 2011 and January 1, 2011, and its results of operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with the basis of accounting in Note 1 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared for reporting to the Bishop and to lenders. As a result, the financial statements may not be suitable for other purposes.

KPMG LLP

Chartered Accountants

June 13, 2013

Victoria, Canada

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statements of Financial Position

December 31, 2012, December 31, 2011 and January 1, 2011

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,340,978	\$ 2,264,224	\$ 2,455,198
Accounts receivable	289,470	409,181	278,904
Prepaid expenses and deposits	14,554	7,398	6,677
	1,645,002	2,680,803	2,740,779
Loans receivable (note 3)	680,360	767,360	375,560
Investments (note 4)	2,858,715	1,998,035	2,448,634
Capital assets (note 5)	7,216,627	7,280,797	7,305,113
	\$ 12,400,704	\$ 12,726,995	\$ 12,870,086

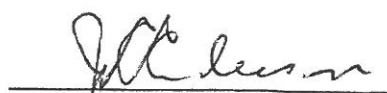
Liabilities and Net Assets

Current liabilities:			
Accounts payable and accrued liabilities (note 6)	\$ 357,811	\$ 125,954	\$ 139,488
Demand bank loan (note 7)	44,682	131,682	256,719
Deferred revenue and contributions (note 8)	1,313,911	1,482,366	1,623,763
	1,716,404	1,740,002	2,019,970
Deferred revenue and contributions (note 8)	1,514,267	1,547,067	1,579,867
Total liabilities	3,230,671	3,287,069	3,599,837
Net assets:			
Invested in capital assets	5,702,360	5,733,730	5,725,246
Restricted for endowment purposes (note 11)	373,326	376,435	377,650
Internally restricted (note 11)	703,468	882,860	852,017
Unrestricted	2,390,879	2,446,901	2,315,336
	9,170,033	9,439,926	9,270,249
Guarantees and obligations (note 12)			
Contingent liabilities (note 13)			
	\$ 12,400,704	\$ 12,726,995	\$ 12,870,086

See accompanying notes to financial statements.

Approved by the Finance Committee




Chair

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statements of Operations

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Parish assessments	\$ 1,047,345	\$ 1,130,234
Donations	166,278	163,973
Administration fees	40,208	41,710
Ministries and Programs:		
Parish levies	71,064	71,064
Donations	44,336	169,173
Grants	196,972	109,763
Program revenue recognized	17,593	3,082
Donation appeal	1,012,969	1,199,142
Investment income (note 9)	163,197	107,096
Property income	213,501	213,167
	<u>2,973,463</u>	<u>3,208,404</u>
Expenses:		
General Diocesan	905,511	583,343
Pastoral Centre	93,474	67,607
Ministries and Programs	1,571,378	1,741,433
Interest on bank loans	29,560	6,943
Property expenses	113,455	119,916
Administration	445,611	440,076
Appeal campaign expenses	61,258	58,194
	<u>3,220,247</u>	<u>3,017,512</u>
Net revenue (expenses) before the undernoted	(246,784)	190,892
Other expense:		
Donations to parishes and schools	20,000	20,000
Excess (deficiency) of revenue over expenses	<u>\$ (266,784)</u>	<u>\$ 170,892</u>

See accompanying notes to financial statements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statements of Changes in Net Assets

Years ended December 31, 2012 and 2011

		Invested in capital assets	Restricted for endowment purposes	Internally restricted	Unrestricted	Total
Balance January 1, 2011						
Excess (deficiency) of revenue over expenses	\$	5,725,246	\$ 377,650	\$ 852,017	\$ 2,315,336	\$ 9,270,249
Endowment income		(39,212)	-	(5,673)	215,777	170,892
Internally imposed restrictions		-	(1,215)	-	-	(1,215)
Capital asset purchases		-	-	36,516	(36,516)	-
		47,696	-	-	(47,696)	-
Balance December 31, 2011						
Excess (deficiency) of revenue over expenses		5,733,730	376,435	882,860	2,446,901	9,439,926
Endowment income		(42,516)	-	(26,310)	(197,958)	(266,784)
Internally imposed restrictions		-	(3,109)	-	-	(3,109)
Capital asset purchases		-	-	(153,082)	153,082	-
		11,146	-	-	(11,146)	-
Balance, December 31, 2012	\$	5,702,360	\$ 373,326	\$ 703,468	\$ 2,390,879	\$ 9,170,033

See accompanying notes to financial statements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (266,784)	\$ 170,892
Items not involving cash:		
Amortization of capital assets	52,600	49,297
Amortization of building under life lease	22,716	22,716
Decrease (increase) in accounts receivable	119,711	(130,277)
Increase in prepaid expense and deposits	(7,156)	(721)
Increase (decrease) in accounts payable and accrued liabilities	231,857	(13,534)
Decrease in deferred revenue and contributions	(201,255)	(174,197)
	(48,311)	(75,824)
Financing:		
Repayment of demand bank loans	(87,000)	(125,038)
Increase (decrease) in net assets restricted for endowment purposes	(3,109)	(1,215)
	(90,109)	(126,253)
Investing:		
Purchase (collection) of loans receivable	87,000	(391,800)
Investments	(860,680)	450,599
Purchase of capital assets	(11,146)	(47,696)
	(784,826)	11,103
Decrease in cash and cash equivalents	(923,246)	(190,974)
Cash and cash equivalents, beginning of year	2,264,224	2,455,198
Cash and cash equivalents, end of year	\$ 1,340,978	\$ 2,264,224

See accompanying notes to financial statements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements

Years ended December 31, 2012 and 2011

Diocesan Pastoral Centre of the Bishop of Victoria, Corporation Sole (the "Entity") was incorporated by a special act of the legislature and was established for the advancement of Roman Catholic religious worship, instruction and ministry on Vancouver Island.

The Corporation Sole is registered with Canada Revenue Agency as a charitable organization and, accordingly, is not subject to income tax. The Bishop of Victoria, through a Finance Committee, administers the Diocese of Victoria (the "Diocese"), which encompasses the Pastoral Centre, the parishes and other affiliates. As indicated in note 1(a) below, these financial statements reflect only a portion of the assets, liabilities and operations of the Bishop of Victoria, Corporation Sole.

On January 1, 2012, the Entity adopted Canadian accounting standards for not-for-profit organizations ("ASNPO") in Part III of the CICA Handbook. These are the first financial statements prepared in accordance with ASNPO.

In accordance with the transitional provisions in ASNPO, the Entity has adopted the changes retrospectively. The transition date is January 1, 2011 and all comparative information provided has been presented by applying ASNPO.

A summary of transitional adjustments recorded to net assets and excess of revenue over expenditures is provided in note 2.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations except that the individual parishes and missions, St. Joseph's Hospital, St. Patrick's Parish Housing Corporation and the Island Catholic Schools, controlled entities, have not been fully consolidated nor disclosed. The financial statements are prepared for purposes of reporting specified operations to the Bishop of the Diocese of Victoria and to lenders on the specified operating activities. As a result, the financial statements may not be suitable for other purposes.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(a) Defined entity:

The Corporation Sole comprises a number of diverse operations and ownership or control of a number of related entities.

The Corporation Sole includes:

- The Diocesan Pastoral Centre
- The 40 parishes and missions of the Diocese
- St. Joseph's Hospital (the "Hospital")

The Corporation Sole wholly owns and/or has control over:

- St. Patrick's Parish Housing Corporation
- Island Catholic Schools

For purposes of these financial statements, the defined entity reflected in these financial statements consists only of the Diocesan Pastoral Centre and does not include the other entities described above. This defined entity for reporting purposes in these financial statements is referred to as the "Pastoral Centre".

The financial statements of the Hospital, The Catholic Independent Schools of Vancouver Island and St. Patrick's Parish Housing Corporation are subject to separate audit or review engagements.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization. Land and buildings acquired prior to January 1, 2011 is recorded at deemed cost, being its fair value at January 1, 2011, the transition date to ASNPO (note 2). Amortization is provided using the straight line method and following annual rates:

Asset	Rate
Buildings	25 and 50 years
Buildings under life lease	60 years
Furniture and equipment	10 years
Computers	3 years

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand and short term deposits which are highly liquid with original maturities of less than three months at the date of acquisition. These financial assets are convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(d) Revenue recognition:

The Pastoral Centre follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are recognized as direct increases in net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

The Pastoral Centre assesses the parishes for the administration of the Pastoral Centre. These and all other revenue items are recorded on an accrual basis.

(e) Use of estimates:

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

1. Significant accounting policies (continued):

(f) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Investments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Pastoral Centre as elected to carry all investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Pastoral Centre determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Pastoral Centre expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

2. Adoption of new financial reporting framework and prior period adjustments:

The following table summarizes the impact of the transition to Not-for profit standards and prior period adjustments to the Pastoral Centre's net assets as of January 1, 2011:

Net assets previously reported as at January 1, 2011	\$ 53,827,720
Transition election to record capital assets at fair value (i)	1,928,775
Addition of land and buildings owned by the Pastoral Centre (ii)	2,089,200
Removal of Diocese land and building not controlled by the Pastoral Centre (ii)	(1,725,450)
Removal of Parish land and buildings (iii)	(40,579,037)
Removal of Parish property improvements (iii)	(206,959)
Removal of Schools land (iii)	(6,064,000)
Net assets as at January 1, 2011, revised	9,270,249
December 31, 2011 previously reported excess of revenue over expenses	198,609
December 31, 2011 previously reported Endowment income	(1,215)
Additional amortization relating to capital asset changes	(27,717)
Net assets as at December 31, 2011, revised	\$ 9,439,926

Transitional adjustments:

- (i) In accordance with the transitional provisions of the Not-for-profit standards, the Pastoral Centre has elected to measure certain land and buildings at January 1, 2011 using the fair value election.

The following adjustments were made to previously reported balances:

- (ii) Certain assets were determined to be within the scope of what is presented in these financial statements according to note 1 while other assets were determined to be outside the scope of what is presented. These assets have been added or removed from the financial statements accordingly.
- (iii) Assets related to parishes and schools were removed from the financial statements of the Pastoral Centre as these entities have not been fully consolidated within these financial statements (note 1).

Previous financial statements did not include amortization on buildings. Amortization has now been provided effective on the transition date using the fair value election.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

3. Loans receivable:

	December 31, 2012	December 31, 2011	January 1, 2011
St. Patrick's Parish	\$ 163,522	\$ 250,522	\$ 375,560
Third party	516,838	516,838	-
	<u>\$ 680,360</u>	<u>\$ 767,360</u>	<u>\$ 375,560</u>

- (a) The loan to St. Patrick's Parish is long-term, bears interest at prime plus 0.5% per annum, and there are no set terms of repayment.
- (b) The third party loan is due January 5, 2014, bears interest at 7% per annum, calculated semi annually not in advance from the date of advance to the date of payment. The loan is secured by an assignment in the interest of the related property acquired for development.

4. Investments:

Investment are recorded at fair value.

	December 31, 2012	December 31, 2011	January 1, 2011
Fixed income	\$ 868,790	\$ 606,923	\$ 562,020
Guaranteed investment certificates	382,271	874,542	895,399
Equities	1,593,389	878,938	740,147
Mutual funds	1,238,142	36,810	837,800
Exchange traded funds	-	675,609	427,211
	<u>4,082,592</u>	<u>3,072,822</u>	<u>3,462,577</u>
Less amounts held in trust	(1,223,877)	(1,074,787)	(1,013,943)
	<u>\$ 2,858,715</u>	<u>\$ 1,998,035</u>	<u>\$ 2,448,634</u>

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

5. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Land	\$ 4,640,000	\$ -	\$ 4,640,000
Buildings	1,247,874	55,435	1,192,439
Buildings under life lease	1,726,060	408,024	1,318,037
Furniture and equipment	116,944	59,177	57,767
Computers	34,382	25,998	8,384
	<u>\$ 7,765,260</u>	<u>\$ 548,634</u>	<u>\$ 7,216,627</u>

December 31, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 4,640,000	\$ -	\$ 4,640,000
Buildings	1,241,975	27,718	1,214,257
Buildings under life lease	1,726,060	379,666	1,346,394
Furniture and equipment	112,791	50,927	61,864
Computers	33,289	15,007	18,282
	<u>\$ 7,754,115</u>	<u>\$ 473,318</u>	<u>\$ 7,280,797</u>

January 1, 2011	Cost	Accumulated amortization	Net book value
Land	\$ 4,640,000	\$ -	\$ 4,640,000
Buildings	1,241,975	-	1,241,975
Buildings under life lease	1,726,060	351,308	1,374,752
Furniture and equipment	74,570	47,819	26,751
Computers	54,998	33,363	21,635
	<u>\$ 7,737,603</u>	<u>\$ 432,490</u>	<u>\$ 7,305,113</u>

- (a) The land and buildings are subject to mortgages and guarantees more specifically explained in notes 7 and 12.
- (b) The buildings under life lease are leased to St. Patrick's Parish Housing Corporation under a 60-year life lease.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

6. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$50,215 (2011 - \$41,472), which includes amounts payable for HST, workers' safety insurance and payroll related remittances.

7. Demand bank loan:

The bank loan is secured by a demand collateral mortgage of \$20 million over certain properties of the Diocese and Island Catholic Schools and a general assignment of book debts. The loan bears interest at the greater of 3.75% and the bank's prime lending rate plus 1.5% per annum. Repayment terms are interest only, but on the understanding that the principal will be reduced by at least \$24,000 per annum, with further reductions to be made from fundraising by St. Patrick's Parish.

8. Deferred revenue and contributions:

	Deferred revenue - life lease	Deferred contributions	Total
Balance, January 1, 2011	\$ 1,579,867	\$ 1,623,763	\$ 3,203,630
Less amounts recognized as revenue in the year	(32,800)	(1,292,529)	(1,325,329)
Add amounts received related to future years	-	1,151,132	1,151,132
Balance, December 31, 2011	1,547,067	1,482,366	3,029,433
Less amounts recognized as revenue in the year	(32,800)	(1,317,655)	(1,350,455)
Add amounts received related to future years	-	1,149,200	1,149,200
Balance, December 31, 2012	\$ 1,514,267	\$ 1,313,911	\$ 2,828,178

- (a) The deferred revenue - life lease represents deferred revenue for a 60-year life lease granted to St. Patrick's Parish Housing Corporation. This deferred revenue is being recognized as revenue over the 60-year term of the lease at \$32,800 annually.
- (b) Deferred contributions represent unspent revenues and investment income externally restricted for spiritual and education purposes and restricted operating funding received in the current period that is related to subsequent periods.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

9. Investment income:

Investment income earned, recorded in the statement of operations, is calculated as follows:

	2012	2011
Income (loss) on investments	\$ 167,579	\$ (55,616)
Income on cash and cash equivalents	99,201	108,583
Income on loans receivable	15,358	18,942
	282,138	71,909
Externally restricted amounts deferred	(53,625)	18,217
Allocated to funds held in trust	(61,835)	15,905
Allocated to endowments	(3,481)	1,065
	\$ 163,197	\$ 107,096

10. Assets held in trust for other entities:

The Pastoral Centre holds \$1,223,877 (2011 - \$1,074,787) cash and investments in trust for other entities, which includes certain schools and parishes. Neither the trust assets, nor the offsetting trust liabilities, are included on the statement of financial position.

11. Restriction on net assets:

The net assets restricted for endowment purposes are all subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on \$373,326 (2011 - \$376,435) is externally restricted for educational and spiritual purposes.

As at December 31, 2012, the Pastoral Centre internally restricted \$703,468 (2011 - \$882,860) of net assets. The funds comprise:

- (a) funds restricted for educational and spiritual purposes,
- (b) an insurance reserve

These funds are not available for other purposes without approval of the Pastoral Centre. Interest earned on internally restricted funds is recorded in the statement of operations and transferred to the internally restricted net assets.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

12. Guarantees and obligations:

- (a) The Bishop is a guarantor on an agreement between the Canadian Federal Government and the St. Andrews Refugee Association (the "Association"). Should the Association fail to meet its obligations in the support of refugees, the Pastoral Centre will be responsible for settling these amounts.
- (b) The Bishop has guaranteed the bank loans and obligations of Island Catholic Schools. At December 31, 2012 and 2011 these liabilities were as follows:

	2012	2011
Term loans	\$ 1,702,731	\$ 1,913,503
Operating loans	1,255,261	1,644,124
	\$ 2,957,992	\$ 3,557,627

13. Contingent liabilities:

In 2006, the Bishop of Victoria, together with other Catholic entities across Canada, entered into two Agreements, one with various Aboriginal groups, the Government of Canada, and the other Churches that were involved in the Residential School system (the Global Settlement Agreement), and a second agreement with the Government of Canada (the Settlement Agreement). The Global Settlement Agreement will move most, if not all of the Residential School claims out of the court process, and into an agreed upon alternate dispute resolution model; and the Settlement Agreement will result in the Government of Canada indemnifying the Bishop of Victoria from all Residential School claims. The Global Settlement Agreement has been approved by the courts, and both the Global Settlement Agreement and the Settlement Agreement have come into force. As a condition of the Global Settlement Agreement the Diocese has agreed to provide \$417,000 of in-kind services over ten years, commencing September 20, 2007.

As at December 31, 2012, \$583,106 (2011 - \$445,149) of in-kind services had been provided.

14. Defined contribution pension plan:

The Pastoral Centre contributes to a defined contribution plan that provides pension benefits to its employees. Participation in the plan is compulsory for all eligible employees. The Pastoral Centre and the employee each contribute 4% of gross annual salary. In 2012, the Pastoral Centre contributed \$19,005 (2011 - \$18,489) to the plan.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

15. Related party transactions:

Substantial portions of the Pastoral Centre's activities involve transactions with parishes and other religious organizations as described in note 1(a). The following significant related-party transactions occurred during the year:

The Pastoral Centre received revenue from various entities that are wholly owned by the Pastoral Centre or are controlled and administered through a common finance committee. Related party revenues include parish assessments, certain donations, administration fees, parish levies, and grants. Included in property income is lease income of \$32,800 (2011 - \$32,800) from a wholly owned affiliate. These transactions are recorded at the exchange amount, which is the amount agreed upon by the parties.

In 2011, the Diocese transferred the ownership of certain property, which was not included under the Pastoral Centre's policy of recording only specified assets at appraised values. Additionally, a donation received during the year for \$20,000 (2011 - \$20,000) from St. Patrick's Housing Corporation was donated to St. Patrick's Parish of Victoria. The donation is included in donations to parishes and schools on the Statement of Operations.

16. Financial risks and concentration of risk:

(a) Currency risk:

Investments that trade in foreign markets are exposed to currency risk as the price in local terms on the foreign stock exchange is converted to Canadian dollars to determine fair value. The Pastoral Centre's overall currency positions are monitored on a daily basis by the portfolio manager.

(b) Liquidity risk:

Liquidity risk is the risk that the Pastoral Centre will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Pastoral Centre manages its liquidity risk by monitoring its operating requirements. The Pastoral Centre prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposures from 2011.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Pastoral Centre is exposed to credit risk with respect to the accounts receivable and loans receivable. The Pastoral Centre assesses, on a continuous basis, accounts receivable and loans receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

16. Financial risks and concentration of risk: (continued):

(d) Interest rate risk:

The Pastoral Centre is exposed to interest rate risk on its fixed interest rate financial instruments. Further details about the fixed rate investments are included in note 4, the loans receivable are included in note 3 and the demand bank loan are included in note 7.

17. Subsequent event:

In February 2013, the Pastoral Centre issued a note receivable for \$100,000. The loan is interest free and there are no set terms of repayment.

