

Financial Statements of

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

Year ended December 31, 2015



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INDEPENDENT AUDITORS' REPORT

To the Bishop of Diocesan Pastoral Centre of the Bishop of Victoria, Corporation Sole

We have audited the accompanying financial statements of Diocesan Pastoral Centre of the Bishop of Victoria, Corporation Sole, which comprise the statement of financial position as at December 31, 2015, the statements of operations, changes in net assets and cash flows for the year then ended, 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 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 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 is sufficient and appropriate to provide a basis for our audit opinion.



Diocesan Pastoral Centre of the Bishop of Victoria,
Corporation Sole

Opinion

In our opinion, 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, 2015, and its results of operations and its cash flows for the year then ended in accordance with the basis of accounting in note 1 to the financial statements.

Other Matter

Without modifying our opinion, we draw attention to note 1 to the financial statements, which describes the basis of accounting and the defined entity as reported upon in these financial statements. 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 Professional Accountants

June 15, 2016
Victoria, Canada

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

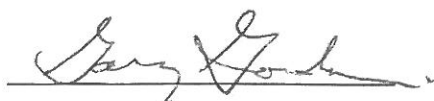
Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 1,386,065
Accounts receivable	332,413	389,505
Prepaid expenses and deposits	12,556	92,822
	<u>344,969</u>	<u>1,868,392</u>
Loans receivable (note 2)	66,261	606,099
Investments (note 3)	3,736,122	3,556,528
Capital assets (note 4)	9,516,378	7,105,572
	<u>\$ 13,663,730</u>	<u>\$ 13,136,591</u>
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness	\$ 210,443	\$ -
Accounts payable and accrued liabilities (note 5)	145,232	236,778
Demand bank loan (note 6)	8,682	20,682
Deferred revenue and contributions (note 7)	1,174,294	1,164,377
	<u>1,538,651</u>	<u>1,421,837</u>
Deferred revenue and contributions (note 7)	1,415,867	1,448,667
Total liabilities	<u>2,954,518</u>	<u>2,870,504</u>
Net assets:		
Invested in capital assets	8,100,511	5,656,906
Restricted for endowment purposes (note 10)	480,283	415,095
Internally restricted (note 10)	659,568	569,944
Unrestricted	1,468,850	3,624,142
	<u>10,709,212</u>	<u>10,266,087</u>
Guarantees and obligations (note 11)		
	<u>\$ 13,663,730</u>	<u>\$ 13,136,591</u>

See accompanying notes to financial statements.

Approved by the Finance Committee




DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statement of Operations

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Parish assessments	\$ 1,182,900	\$ 1,104,686
Donations	227,447	907,936
School assessments (note 15)	830,100	413,292
Ministries and programs:		
Donations	57,922	44,655
Grants	208,157	213,653
Program revenue recognized	26,298	27,017
Donation appeal	825,972	765,114
Investment income (note 8)	223,510	365,747
Property income	231,024	222,983
Administration fees	30,091	31,799
	3,843,421	4,096,882
Expenses:		
General Diocesan	616,556	638,971
Pastoral Centre	98,940	83,709
Ministries and programs	1,585,171	1,417,652
Interest on bank loans	657	1,223
Property expenses	62,739	45,864
Administration	614,777	495,342
Appeal campaign expenses	57,404	51,494
School direct expenses (note 15)	429,240	211,573
	3,465,484	2,945,828
Excess of revenue over expenses	\$ 377,937	\$ 1,151,054

See accompanying notes to financial statements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statement of Changes in Net Assets

Year ended December 31, 2015, with comparative information for 2014

		Invested in capital assets	Restricted for endowment purposes (note 10)	Internally restricted (note 10)	Unrestricted	Total
Balance December 31, 2013						
Excess (deficiency) of revenue over expenses	\$	5,663,027	\$ 381,486	\$ 548,070	\$ 2,488,842	\$ 9,081,425
Endowment income		(37,570)	-	9,843	1,178,780	1,151,053
Internally imposed restrictions		-	33,609	-	-	33,609
Capital asset purchases		-	-	12,031	(12,031)	-
		31,449	-	-	(31,449)	-
Balance December 31, 2014						
Excess (deficiency) of revenue over expenses		5,656,906	415,095	569,944	3,624,142	10,266,087
Endowment income		(37,724)	-	8,127	407,534	377,937
Internally imposed restrictions		-	65,188	-	-	65,188
Capital asset purchases		2,481,329	-	81,497	(81,497)	-
		-	-	-	(2,481,329)	-
Balance December 31, 2015	\$	8,100,511	\$ 480,283	\$ 659,568	\$ 1,468,850	\$ 10,709,212

See accompanying notes to financial statements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Statement of Cash Flows

Year ended December 31, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 377,937	\$ 1,151,054
Items not involving cash:		
Amortization of capital assets	47,808	47,654
Amortization of building under life lease	22,716	22,716
Decrease (increase) in accounts receivable	57,092	(89,090)
Decrease (increase) in prepaid expense and deposits	80,266	(54,747)
Increase (decrease) in accounts payable and accrued liabilities	(91,548)	41,429
Increase (decrease) in deferred revenue and contributions	(22,883)	1,679
	471,388	1,120,695
Financing:		
Repayment of demand bank loans	(12,000)	(12,000)
Increase in net assets restricted for endowment purposes	65,188	33,609
	53,188	21,609
Investing:		
Collection of loans receivable	539,838	39,000
Investments	(179,594)	(704,680)
Purchase of capital assets	(2,481,329)	(31,449)
	(2,121,085)	(697,129)
Increase (decrease) in cash and cash equivalents	(1,596,509)	445,175
Cash and cash equivalents, beginning of year	1,386,066	940,891
Cash and cash equivalents (bank indebtedness), end of year	\$ (210,443)	\$ 1,386,066

See accompanying notes to financial statements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements

Year ended December 31, 2015

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.

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.

(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, Island Catholic Schools and St. Patrick's Parish Housing Corporation are subject to separate audit or review engagements.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(b) Capital assets:

Capital assets are stated at cost less accumulated amortization. Land and buildings acquired prior to January 1, 2011 are recorded at deemed cost, being fair value at January 1, 2011, the transition date to Canadian accounting standards for not-for-profit organizations. Amortization is provided using the straight line method and the following annual rates:

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

(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.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(e) Use of estimates:

The preparation of the financial statements 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.

(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 has 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)

Year ended December 31, 2015

2. Loans receivable:

	2015	2014
St. Patrick's Parish	\$ 66,261	\$ 89,261
Third party	-	516,838
	\$ 66,261	\$ 606,099

(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 was repaid in full on May 15, 2015.

3. Investments:

Investments are recorded at fair value.

	2015	2014
Cash	\$ 137,795	\$ 90,864
Fixed income	339,113	546,218
Guaranteed investment certificates	954,798	801,347
Money market investments	332,788	769,420
Equities	3,270,056	2,633,343
	5,034,550	4,841,192
Amounts held in trust (note 9)	(1,298,428)	(1,284,664)
	\$ 3,736,122	\$ 3,556,528

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Year ended December 31, 2015

4. Capital assets:

			2015
	Cost	Accumulated amortization	Net book value
Land	\$ 6,664,979	\$ -	\$ 6,664,979
Buildings	1,691,975	138,587	1,553,388
Buildings under life lease	1,726,060	493,101	1,232,959
Furniture and equipment	83,487	30,628	52,859
Computers	23,821	11,628	12,193
	<u>\$ 10,190,322</u>	<u>\$ 673,944</u>	<u>\$ 9,516,378</u>
			2014
	Cost	Accumulated amortization	Net book value
Land	\$ 4,640,000	\$ -	\$ 4,640,000
Buildings	1,241,975	110,870	1,131,105
Buildings under life lease	1,726,060	464,743	1,261,317
Furniture and equipment	79,623	23,523	56,100
Computers	27,971	10,921	17,050
	<u>\$ 7,715,629</u>	<u>\$ 610,057</u>	<u>\$ 7,105,572</u>

- (a) The land and buildings are subject to mortgages and guarantees more specifically explained in notes 6 and 11.
- (b) The buildings under life lease are leased to St. Patrick's Parish Housing Corporation under a 60-year life lease.
- (c) During the year the Pastoral Centre wrote off \$6,637 of fully amortized computers.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Year ended December 31, 2015

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$35,858 (2014 - \$35,152), which includes amounts payable for GST, workers' safety insurance and payroll related remittances.

6. 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 be reduced by at least \$12,000 per annum with further reductions to be made from fundraising by St. Patrick's Parish.

7. Deferred revenue and contributions:

	Deferred revenue - life lease	Deferred contributions	Total
Balance, December 31, 2013	\$ 1,481,467	\$ 1,129,898	\$ 2,611,365
Amounts recognized as revenue in the year	(32,800)	(901,549)	(934,349)
Amounts received	-	936,028	936,028
Balance, December 31, 2014	1,448,667	1,164,377	2,613,044
Amounts recognized as revenue in the year	(32,800)	(971,827)	(1,004,627)
Amounts received	-	981,744	981,744
Balance, December 31, 2015	\$ 1,415,867	\$ 1,174,294	\$ 2,590,161

- (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)

Year ended December 31, 2015

8. Investment income:

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

	2015	2014
Investment income	\$ 290,806	\$ 358,668
Income on loans receivable	19,941	120,609
	310,747	479,277
Externally restricted amounts deferred	(18,390)	(44,046)
Allocated to funds held in trust	(51,723)	(65,806)
Allocated to endowments	(17,124)	(3,678)
	\$ 223,510	\$ 365,747

9. Assets held in trust for other entities:

The Pastoral Centre holds \$1,298,428 (2014 - \$1,284,664) 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.

10. 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 \$480,283 (2014 - \$415,095) is externally restricted for educational and spiritual purposes.

As at December 31, 2015, the Pastoral Centre internally restricted \$659,568 (2014 - \$569,944) 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)

Year ended December 31, 2015

11. 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, 2015 these liabilities were as follows:

	2015	2014
Term loans	\$ 1,682,128	\$ 1,729,751
Operating loans	262,229	462,865
Building expansion loan	4,000,000	4,000,000
	<u>\$ 5,944,357</u>	<u>\$ 6,192,616</u>

12. 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 5% to 5.5% of gross annual salary. In 2015, the Pastoral Centre contributed \$56,740 (2014 - \$43,465) to the plan.

DIOCESAN PASTORAL CENTRE OF THE BISHOP OF VICTORIA, CORPORATION SOLE

Notes to Financial Statements (continued)

Year ended December 31, 2015

13. 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, and grants. Included in property income is lease income of \$32,800 (2014 - \$32,800) from a wholly owned affiliate. These transactions are recorded at the exchange amount, which is the amount agreed upon by the parties.

14. 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.

(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)

Year ended December 31, 2015

14. 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 3, the loans receivable are included in note 2 and the demand bank loan is included in note 6.

15. School assessments:

During the 2014 fiscal year, the Pastoral Centre and The Catholic Independent Schools of the Diocese of Victoria – Central Office underwent a reorganization which resulted in the Pastoral Centre providing central services to the six Catholic Independent Schools on Vancouver Island. The reorganization was effective July 1, 2014. As a result, during the fiscal year 2014 the Pastoral Centre records revenue received from the six schools assessed on a proportionate basis. The revenue received is recorded on the statement of operations as School assessments. The expenses associated with the services provided to the six schools are recorded in the following financial statement captions: school direct expenses, ministries and programs, and administration. During the 2015 fiscal year, 12 months of revenue and expense is recorded in each of the financial statement captions detailed.

16. Comparative information:

Certain comparative information has been reclassified to conform to the presentation adopted in the current year.

