

Financial Statements of

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

Year ended December 31, 2017



KPMG LLP  
St. Andrew's Square II  
800-730 View Street  
Victoria BC V8W 3Y7  
Canada  
Tel (250) 480-3500  
Fax (250) 480-3539

## **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, 2017, 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 in our audit is sufficient and appropriate to provide a basis for our audit opinion.

*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, 2017, 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

Victoria, Canada  
June 14, 2018

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

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 171,127	\$ 180,502
Accounts receivable	305,458	277,123
Prepaid expenses and deposits	28,839	78,496
	505,424	536,121
Investments (note 2)	4,729,767	4,066,958
Capital assets (note 3)	9,400,498	9,460,650
	\$ 14,635,689	\$ 14,063,729

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 4)	\$ 242,681	\$ 191,706
Deferred revenue and contributions (note 5)	1,662,527	1,455,200
	1,905,208	1,646,906
Deferred revenue and contributions (note 5)	1,350,267	1,383,067
Total liabilities	3,255,475	3,029,973
Net assets:		
Invested in capital assets	8,050,231	8,077,583
Restricted for endowment purposes (note 8)	1,092,971	517,820
Internally restricted (note 8)	794,165	723,463
Unrestricted	1,442,847	1,714,890
	11,380,214	11,033,756
Guarantees and obligations (note 9)		
	\$ 14,635,689	\$ 14,063,729

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, 2017, with comparative information for 2016

	2017	2016
<b>Revenue:</b>		
Parish assessments	\$ 1,136,104	\$ 1,144,355
Donations	472,158	66,049
School assessments	899,250	835,412
<b>Ministries and programs:</b>		
Donations	98,301	110,817
Grants	152,026	206,291
Program revenue recognized	63,351	17,967
Donation appeal	1,245,736	945,486
Investment income (note 6)	141,205	310,938
Property income	250,744	251,668
Administration fees	28,747	38,123
	4,487,622	3,927,106
<b>Expenses:</b>		
General Diocesan	488,092	468,250
Ministries and programs	2,389,415	2,027,520
Interest on bank loans	1,329	148
Property expenses	60,133	61,900
Administration	230,175	185,307
Appeal campaign expenses	72,984	62,639
School expenses	908,495	834,335
	4,150,623	3,640,099
Excess of revenue over expenses before the undernoted	336,999	287,007
<b>Other expenses:</b>		
Contribution to Priest's Trust Fund	239,692	-
Donation to Parish	326,000	-
	565,692	-
<b>Excess (deficiency) of revenue over expenses</b>	<b>\$ (228,693)</b>	<b>\$ 287,007</b>

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, 2017, with comparative information for 2016

	Invested in capital assets	Restricted for endowment purposes (note 8)	Internally restricted (note 8)	Unrestricted	Total
Balance December 31, 2015	\$ 8,100,511	\$ 480,283	\$ 659,568	\$ 1,468,850	\$ 10,709,212
Excess (deficiency) of revenue over expenses	(37,241)	-	17,754	306,494	287,007
Endowment contributions	-	37,537	-	-	37,537
Internally imposed restrictions	-	-	46,141	(46,141)	-
Capital asset purchases	14,313	-	-	(14,313)	-
Balance December 31, 2016	8,077,583	517,820	723,463	1,714,890	11,033,756
Excess (deficiency) of revenue over expenses	(39,198)	-	1,718	(191,213)	(228,693)
Endowment contributions	-	635,853	-	-	635,853
Internally imposed restrictions	-	-	68,984	(68,984)	-
Capital asset purchases	11,846	-	-	(11,846)	-
Reclassification of investment income	-	(60,702)	-	-	(60,702)
Balance December 31, 2017	\$ 8,050,231	\$ 1,092,971	\$ 794,165	\$ 1,442,847	\$ 11,380,214

See accompanying notes to financial statements.

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

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (228,693)	\$ 287,007
Items not involving cash:		
Amortization of capital assets	49,282	48,418
Amortization of building under life lease	22,716	22,716
Decrease (increase) in accounts receivable	(28,335)	55,290
Decrease (increase) in prepaid expense and deposits	49,657	(65,940)
Increase in accounts payable and accrued liabilities	50,975	46,476
Increase in deferred revenue and contributions	174,527	248,106
	90,129	642,073
Financing:		
Repayment of demand bank loans	-	(8,682)
Increase in net assets restricted for endowment purposes	575,151	37,537
	575,151	28,855
Investing:		
Collection of loans receivable	-	66,261
Investments	(662,809)	(330,837)
Purchase of capital assets	(11,846)	(15,407)
	(674,655)	(279,983)
Increase (decrease) in cash and cash equivalents	(9,375)	390,945
Cash and cash equivalents, beginning of year	180,502	(210,443)
Cash and cash equivalents, end of year	\$ 171,127	\$ 180,502

See accompanying notes to financial statements.

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

Notes to Financial Statements

Year ended December 31, 2017

---

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 General 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 General 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 St. Joseph's General 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, 2017

---

## 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, 2017

---

## 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, 2017

## 1. Significant accounting policies (continued):

### (g) Allocation of expenses:

The Pastoral Centre engages in program and fundraising activities. The costs of each activity include the costs of personnel and other expenses that are directly related to the function.

The Pastoral Centre also incurs and attributes overhead and general support expenses that are common to the administration of the organization and each of its activities. The allocation of overhead is based on the relative space each program uses of the Pastoral Centre. The allocation of general support expenses is based on the program's proportionate share of total expenses.

## 2. Investments:

Investments are recorded at fair value.

	2017	2016
Cash	\$ 278,037	\$ 174,997
Fixed income	477,463	309,703
Guaranteed investment certificates	1,119,320	1,090,330
Money market investments	1,334,331	1,067,791
Equities	2,996,991	2,794,460
	6,206,142	5,437,281
Amounts held in trust (note 7)	(1,476,375)	(1,370,323)
	\$ 4,729,767	\$ 4,066,958

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

Notes to Financial Statements (continued)

Year ended December 31, 2017

### 3. Capital assets:

	2017		
Cost	Accumulated amortization	Net book value	
Land	\$ 7,114,979	\$ -	\$ 7,114,979
Buildings	1,241,975	194,022	1,047,953
Buildings under life lease	1,726,060	549,817	1,176,243
Furniture and equipment	97,292	41,157	56,135
Computers	10,117	4,929	5,188
	\$ 10,190,423	\$ 789,925	\$ 9,400,498
	2016		
Cost	Accumulated amortization	Net book value	
Land	\$ 7,114,979	\$ -	\$ 7,114,979
Buildings	1,241,975	166,305	1,075,670
Buildings under life lease	1,726,060	521,459	1,204,601
Furniture and equipment	93,070	38,233	54,837
Computers	28,551	17,988	10,563
	\$ 10,204,635	\$ 743,985	\$ 9,460,650

- (a) The land and buildings are subject to mortgages and guarantees more specifically explained in note 9.
- (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 \$5,817 of fully amortized furniture and equipment and \$20,241 of fully amortized computers.

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

Notes to Financial Statements (continued)

Year ended December 31, 2017

#### 4. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$36,472 (2016 - \$36,236), which includes amounts payable for GST, workers' safety insurance and payroll related remittances.

#### 5. Deferred revenue and contributions:

	Deferred revenue - life lease	Deferred contributions	Total
Balance, December 31, 2015	\$ 1,415,867	\$ 1,174,294	\$ 2,590,161
Amounts recognized as revenue in the year	(32,800)	(1,112,313)	(1,145,113)
Amounts received	-	1,393,219	1,393,219
Balance, December 31, 2016	1,383,067	1,455,200	2,838,267
Amounts recognized as revenue in the year	(32,800)	(1,403,826)	(1,436,626)
Amounts received	-	1,550,451	1,550,451
Reclassification of interest on endowments	-	60,702	60,702
Balance, December 31, 2017	\$ 1,350,267	\$ 1,662,527	\$ 3,012,794

(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, 2017

## 6. Investment income:

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

	2017	2016
Investment income	\$ 279,137	\$ 492,802
Income on loans receivable	-	97
	279,137	492,899
Externally restricted investment income deferred	(24,932)	(31,553)
Investment income allocated to funds held in trust	(65,731)	(109,795)
Endowment investment income deferred	(47,269)	(40,613)
	\$ 141,205	\$ 310,938

## 7. Assets held in trust for other entities:

The Pastoral Centre holds \$1,476,375 (2016 - \$1,370,323) 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.

## 8. 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 \$1,092,971 (2016 - \$517,820) is externally restricted for educational and spiritual purposes. During 2017, the Pastoral Centre received contributions restricted for endowment purposes of \$635,852 (2016 - \$37,537)

As at December 31, 2017, the Pastoral Centre internally restricted \$794,165 (2016 - \$723,463) 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, 2017

## 9. Guarantees and obligations:

The Bishop has guaranteed the bank loans and obligations of Island Catholic Schools. At December 31, 2017 these liabilities were as follows:

	2017	2016
Term loans	\$ 2,231,498	\$ 2,621,716
Operating loans	-	102,227
Building expansion loan	4,000,000	4,000,000
	<u>\$ 6,231,498</u>	<u>\$ 6,723,943</u>

Effective June 1, 2018, the \$4 million building expansion loan will be reduced to \$1.5 million. The lender is forgiving \$2.5 million.

## 10. 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 5.5% to 6% of gross annual salary. In 2017, the Pastoral Centre contributed \$75,935 (2016 - \$65,356) to the plan.

## 11. 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 (2016 - \$32,800) from a wholly owned affiliate. These transactions are recorded at the exchange amount, which is the amount agreed upon by the parties.

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

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 12. Allocated expenses:

Overhead costs of the Pastoral Centre totalling \$154,255 (2016 - \$128,206) have been allocated as follows:

	2017	2016
General Diocesan Ministries and programs	\$ 38,888	\$ 32,321
School expenses	31,110	25,857
Administration	29,814	24,779
	54,443	45,249
	<b>\$ 154,255</b>	<b>\$ 128,206</b>

Administration costs totalling \$510,420 (2016 - \$456,319) have been allocated as follows:

	2017	2016
Ministries and programs	\$ 301,148	\$ 276,073
School expenses	209,272	180,246
	<b>\$ 510,420</b>	<b>\$ 456,319</b>

## 13. 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.



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

Notes to Financial Statements (continued)

Year ended December 31, 2017

---

## 13. Financial risks and concentration of risk (continued):

(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.

(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 2.