

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Financial Statements

Year Ended December 31, 2014

(Unaudited)

REVIEW ENGAGEMENT REPORT

To the Board of Directors of The Roman Catholic Episcopal Corporation of Grouard

I have reviewed the statement of financial position of The Roman Catholic Episcopal Corporation of Grouard as at December 31, 2014 and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended. My review was made in accordance with Canadian generally accepted standards for review engagements and, accordingly, consisted primarily of inquiry, analytical procedures and discussion related to information supplied to me by the organization.

A review does not constitute an audit and, consequently, I do not express an audit opinion on these financial statements.

Based on my review, nothing has come to my attention that causes me to believe that these financial statements are not, in all material respects, in accordance with Canadian accounting standards for not-for-profit organizations.

County of Grande Prairie No.1, Alberta
May 19, 2015

Karen A. Munjak
Professional Corporation
CHARTERED ACCOUNTANT

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Statement of Financial Position

December 31, 2014

(Unaudited)

	<i>December 31 2014</i>	<i>December 31 2013</i>
ASSETS		
CURRENT		
Cash	\$ 216,130	\$ 400,530
Accounts receivable <i>(Note 3)</i>	185,132	196,722
Chancery move donations receivable <i>(Note 4)</i>	32,650	-
Goods and services tax recoverable	30,767	8,443
Inventory	18,447	18,447
Marketable securities	2,758,944	2,523,076
Mortgages receivable	3,199,882	3,715,391
Current portion of loans and notes receivable <i>(Note 5)</i>	32,484	22,745
	<u>6,474,436</u>	<u>6,885,354</u>
LOANS RECEIVABLE <i>(Note 5)</i>	111,205	73,977
PROPERTY AND EQUIPMENT <i>(Notes 6, 14)</i>	<u>1,817,310</u>	<u>1,117,502</u>
	<u>\$ 8,402,951</u>	<u>\$ 8,076,833</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Line of credit <i>(Note 7)</i>	\$ 857,516	\$ 1,256,001
Accounts payable <i>(Note 8)</i>	25,682	20,195
Undistributed special donations <i>(Note 9)</i>	8,762	24,377
	<u>891,960</u>	<u>1,300,573</u>
PARISH INVESTMENTS HELD IN TRUST <i>(Note 10)</i>	3,846,751	3,464,350
PENSION LIABILITY - INCARDINATE PRIESTS <i>(Note 11)</i>	499,552	477,451
PENSION LIABILITY - FOREIGN PRIESTS <i>(Note 12)</i>	89,517	83,801
RESERVES <i>(Note 13)</i>	53,120	488,686
	<u>5,380,900</u>	<u>5,814,861</u>
NET ASSETS		
General fund	1,204,741	1,144,470
Property and equipment <i>(Note 14)</i>	1,817,310	1,117,502
	<u>3,022,051</u>	<u>2,261,972</u>
	<u>\$ 8,402,951</u>	<u>\$ 8,076,833</u>

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Statement of Revenues and Expenditures

Year Ended December 31, 2014

(Unaudited)

	2014	2013
REVENUE		
General donations	\$ 261,663	\$ 36,045
Catholic Missions in Canada	366,000	410,900
CCCB donations	55,000	55,000
Catedraticum	291,018	318,001
Other revenue	77,278	53,639
Residential School fund	-	1,388
Special collections	-	181,904
Youth Rally	14,965	9,231
	1,065,924	1,066,108
EXPENSES		
Youth Rally	3,597	6,863
Youth Coordinator	61,023	44,103
Archbishop's Office <i>(Schedule 1)</i>	145,633	130,611
Chancellor's Office <i>(Schedule 2)</i>	101,459	101,347
Vicar General Office <i>(Schedule 3)</i>	8,626	47,661
Financial Administrator's Office <i>(Schedule 4)</i>	108,267	102,113
Overhead Expenses <i>(Schedule 5)</i>	137,888	123,276
Missions <i>(Schedule 6)</i>	470,840	398,812
Special Donations <i>(Schedule 7)</i>	-	181,904
	1,037,333	1,136,690
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FROM OPERATIONS	28,591	(70,582)
OTHER INCOME (EXPENSES)		
Loss on disposal of assets	-	(23,390)
Loss on disposal of investments	(76,739)	(113,801)
Investment income	372,815	368,565
Loan interest	2,925	-
Interest paid to parishes and member organizations	(81,522)	(109,428)
Investment fees	(42,323)	(43,631)
Unrealized gain (loss) on investments	126,380	150,657
	301,536	228,972
EXCESS OF REVENUE OVER EXPENSES	\$ 330,127	\$ 158,390

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Statement of Changes in Net Assets

Year Ended December 31, 2014

(Unaudited)

	General Fund	Property and Equipment	2014	2013
NET ASSETS - BEGINNING OF YEAR	\$ 1,144,470	\$ 1,117,502	\$ 2,261,972	\$ 1,934,701
Excess of revenue over expenses	337,554	(7,427)	330,127	158,390
Additions to property and equipment	-	429,952	429,952	168,881
Transfer to property and equipment	(277,283)	277,283	-	-
NET ASSETS - END OF YEAR	<u>\$ 1,204,741</u>	<u>\$ 1,817,310</u>	<u>\$ 3,022,051</u>	<u>\$ 2,261,972</u>

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Statement of Cash Flow
Year Ended December 31, 2014

(Unaudited)

	2014	2013
OPERATING ACTIVITIES		
Cash receipts from donors and grants	\$ 1,006,923	\$ 905,827
Cash paid to suppliers and employees	(1,024,419)	(1,184,800)
Investment income received	372,815	368,565
Interest paid	2	-
Interest paid to parishes and member organizations	(81,522)	(109,428)
Investment fees	(42,323)	(43,631)
Cash flow from (used by) operating activities	231,476	(63,467)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(707,235)	-
Proceeds on disposal of property, plant and equipment	-	60,500
Repayment of loans and notes receivable	42,519	51,354
Addition to loans and notes receivable	(89,486)	(91,341)
Purchase of marketable securities	(106,563)	(89,560)
Mortgages receivable advances	438,770	(611,733)
Cash flow used by investing activities	(421,995)	(680,780)
FINANCING ACTIVITIES		
Short term debt	(398,485)	57,472
Parish investments held in trust	382,401	544,996
Pension liability - incardinate priests	22,101	87,199
Pension liability - foreign priests	5,716	10,363
Net contributions to (from) reserves	(5,614)	(24,094)
Cash flow from financing activities	6,119	675,936
DECREASE IN CASH FLOW	(184,400)	(68,311)
Cash - beginning of year	400,530	468,841
CASH - END OF YEAR	\$ 216,130	\$ 400,530

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Notes to Financial Statements

Year Ended December 31, 2014

(Unaudited)

1. PURPOSE OF THE ORGANIZATION

The Roman Catholic Episcopal Corporation of Grouard was incorporated on May 2, 1968 in the Province of Alberta as a not-for-profit organization and is a registered charity under the Income Tax Act. The Archdiocese of Grouard-McLennan represents 66 parishes and missions in northwestern Alberta.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The precise determination of many assets and liabilities is dependent on future events. As a result, the preparation of financial statements for a period involves the use of estimates and approximations. The financial statements have in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Cash

Cash includes cash on hand and bank accounts.

Inventory

Inventory consists of books held for resale and is valued at the lower of cost and net realizable value.

Marketable securities

Marketable securities for which there are quoted prices in an active market are carried at fair value otherwise they are carried at cost. Unrealized gains or losses are reported as part of net income.

Mortgages receivable

Mortgages receivable are carried at the lower of cost and net realizable value as there is no active market.

Property and equipment

Property and equipment are stated at cost less accumulated amortization. Property and equipment are amortized over their estimated useful lives at the following rates and methods:

Furniture and fixtures	20%	declining balance method
Motor vehicles	30%	declining balance method

In the year of acquisition, amortization is applied at half of normal rates. When property and equipment are disposed, the cost of the asset and the related accumulated amortization are removed from the accounts and any resulting gain or loss on disposal is reflected in income. No amortization is recorded in the year of disposition.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

(continues)

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Notes to Financial Statements

Year Ended December 31, 2014

(Unaudited)

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

Revenue recognition

The organization follows the deferral method of accounting for contributions.

Special donations revenue is recognized when funds are allocated to specific projects.

Income taxes

As a registered not-for-profit, the organization is exempt from paying income taxes under Section 149(1)(i) of the Income Tax Act.

3. ACCOUNTS RECEIVABLE

Included in accounts receivable is an allowance for doubtful accounts of \$18,143 (2013 - \$nil).

4. CHANCERY MOVE DONATIONS RECEIVABLE

Beginning in 2011, the organization began planning to move the Chancery from McLennan to Grande Prairie. Parishoners committed donations over a period of five years. The move was completed in 2014, however the donations have not all been received. In the mean time, the organization has paid for the move expenses and purchase of land and building in Grande Prairie. The remaining amounts are expected to be received over the next three years, with all amounts received by December 31, 2017.

5. LOANS RECEIVABLE

	2014	2013
Loans receivable from priests arriving in Canada are non-interest bearing, unsecured and repayable by set monthly payroll deductions	\$ 98,764	\$ 46,722
Loan receivable from St. Paul Roman Catholic Church bears interest at 6% per annum, repayable in semi-annual blended payments of \$4,000, is unsecured and matures August 31, 2021	44,925	50,000
	143,689	96,722
Amounts receivable within one year	(32,484)	(22,745)
	\$ 111,205	\$ 73,977

Principal repayment terms are approximately:

2015	\$ 32,484
2016	30,568
2017	23,792
2018	17,955
2019	9,220
Thereafter	29,670
	<u>\$ 143,689</u>

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Notes to Financial Statements

Year Ended December 31, 2014

(Unaudited)

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	2014 Net book value	2013 Net book value
Land and buildings	\$ 1,791,055	\$ -	\$ 1,791,055	\$ 1,083,820
Furniture and fixtures	52,292	25,518	26,774	26,774
Motor vehicles	41,106	41,625	(519)	6,908
	\$ 1,884,453	\$ 67,143	\$ 1,817,310	\$ 1,117,502

7. LINE OF CREDIT

Line of credit advances are payable on demand, non-interest bearing and are secured by the cash accounts of the parishes.

8. GOVERNMENT REMITTANCES PAYABLE

No government remittances payable are included in accounts payable at year end (2013 - \$nil).

9. UNDISTRIBUTED SPECIAL DONATIONS

	2014	2013
Grouard church renovation	\$ 8,290	\$ 20,313
Slave Lake disaster	-	2,745
Youth rally	-	1,319
Propagation of faith	462	-
Papal charities	10	-
	\$ 8,762	\$ 24,377

Funds collected for specific projects not distributed by year end are shown as liabilities.

10. PARISH INVESTMENTS HELD IN TRUST

The investments are from parishes and other organizations related to the Catholic Church. Interest is payable annually at a rate determined by the Archbishop on the recommendation of the finance committee. The rate for 2014 was 2.21% (2013 - 3.39%).

11. PENSION LIABILITY - INCARDINATE PRIESTS

This pension liability is to provide adequate support and accommodation for all retired or incapacitated priests incardinate in the Archdiocese after taking into account all government, public and social benefit programs. The Robert Lavoie Foundation advises the Archbishop on investment of funds and administers the paying of benefits to retired priests.

12. PENSION LIABILITY - FOREIGN PRIESTS

This pension liability is to provide support for foreign priests returning to their home diocese.

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Notes to Financial Statements

Year Ended December 31, 2014

(Unaudited)

13. RESERVES

	Opening	Contributions	Withdrawals	2014
<u>2014</u>				
Chancery move	\$ 477,686	\$ 117,507	\$ 595,193	\$ -
Insurance and building	-	41,000	-	41,000
Vocation promotion	11,000	-	-	11,000
Youth fund	-	1,120	-	1,120
	<u>\$ 488,686</u>	<u>\$ 159,627</u>	<u>\$ 595,193</u>	<u>\$ 53,120</u>
<u>2013</u>				
Chancery move	\$ 499,821	\$ 146,746	\$ 168,881	\$ 477,686
Vocational promotion	-	11,000	-	11,000
	<u>\$ 499,821</u>	<u>\$ 157,746</u>	<u>\$ 168,881</u>	<u>\$ 488,686</u>

The Chancery move reserve was established in 2011 to fund the move of the Chancery from McLennan to Grande Prairie, which commenced during 2013 and was completed in the current year.

The insurance and building fund was established in 2014 for moving Berwyn church to Duncan First Nation and moving Trout Lake church to Red Earth.

The vocation promotion reserve is to provide funds for the promotion of vocations to religious orders of men and women within the Archdiocese of Grouard-McLennan.

The youth fund was established in 2014 for future youth activities.

14. COMPARATIVE FIGURES

The land and building purchased as part of the Chancery move were only recorded as withdrawals from the Chancery move reserve (Note 13). The corresponding asset and investment in property and equipment were not reflected. The current year presentation shows the asset and related investment in property and equipment for both years. Both amounts have been increased by \$1,077,117 (2013 - \$168,881). There was no adjustment to net income.

15. FINANCIAL INSTRUMENTS

The organization 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 organization's risk exposure and concentration as of December 31, 2014.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The organization is exposed to credit risk from parishes with amounts owing. The organization has accounts receivable due from a significant number of parishes which minimizes concentration of credit risk.

Interest rate risk

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

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Archbishop's Office (Schedule 1)

Year Ended December 31, 2014

(Unaudited)

	2014	2013
Donations	\$ 8,388	\$ 18,238
Office planning commission	6,536	3,267
Pension	4,825	4,785
Salaries	91,774	86,371
Supplies	2,010	1,248
Training and development	21,064	10,727
Travel	11,036	5,975
	\$ 145,633	\$ 130,611

Chancellor's Office (Schedule 2)

Year Ended December 31, 2014

(Unaudited)

Marriage Annulment Tribunal	\$ 18,450	\$ 18,450
Second Mile giving	1,206	-
Office	3,821	8,418
Salaries	76,453	68,249
Travel allowance - Chancellor	-	3,980
Utilities	1,529	2,250
	\$ 101,459	\$ 101,347

Vicar General Office (Schedule 3)

Year Ended December 31, 2014

(Unaudited)

Pension	\$ 3,711	\$ 7,422
Recruiting of priests	-	2,062
Seminary training	-	17,573
Supplies	40	-
Training for immigrant priests	4,875	20,604
	\$ 8,626	\$ 47,661

Financial Administrator's Office (Schedule 4)

Year Ended December 31, 2014

(Unaudited)

Salaries	\$ 104,846	\$ 96,363
Travel	3,421	5,750
	\$ 108,267	\$ 102,113

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Overhead Expenses (Schedule 5)

Year Ended December 31, 2014

(Unaudited)

Amortization	\$	7,427	\$	9,654
Communications		16,538		10,584
Equipment rent		2,171		2,171
Grounds and facility maintenance		2,193		2,941
Housekeeping and kitchen		8,057		9,318
Insurance		1,969		7,250
Office		21,522		20,849
Professional fees		28,399		21,468
Property taxes		25,695		20,428
Planning committee		972		-
Utilities		22,945		18,613
	\$	137,888	\$	123,276

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Missions (Schedule 6)

Year Ended December 31, 2014

(Unaudited)

	2014	2013
CCEP Indian Residential Schools Settlement	\$ 20,461	\$ 20,000
Communications	10,038	9,061
Facility and property maintenance	14,931	9,545
Insurance	26,754	14,196
Lay information office and rent	2,993	7,278
Property taxes	5,292	8,922
Salaries	330,273	279,880
Supplies	12,554	11,560
Travel	11,862	6,698
Utilities	29,105	28,384
Vehicle	3,493	3,288
Youth contingency fund	3,084	-
	\$ 470,840	\$ 398,812

THE ROMAN CATHOLIC EPISCOPAL CORPORATION OF GROUARD

Special Donations (Schedule 7)

Year Ended December 31, 2014

(Unaudited)

	2014	2013
Grouard church renovation	\$ -	\$ 105,509
Special donations	-	76,395
	\$ -	\$ 181,904