

C.A.C.R. DE SAINT-BONIFACE

Financial Statements

For the year ended January 31, 2018

C.A.C.R. DE SAINT-BONIFACE

Financial Statements

For the year ended January 31, 2018

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Independent Auditor's Report

To His Grace Albert LeGatt, Archbishop

We have audited the accompanying financial statements of **C.A.C.R. de Saint-Boniface**, which comprise the statement of financial position as at January 31, 2018 and the statement of revenues, expenditures and changes in fund balances and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 the auditor's 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, the auditor considers internal control relevant to the organization'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 organization'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 qualified audit opinion.



Basis for Qualified Opinion

In common with many charitable organizations, the Archdiocese derives revenue from donations and offerings, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Archdiocese and we were not able to determine whether any adjustments might be necessary to revenue, excess (deficiency) of revenue over expenditures, and cash flows from operations for the years ended January 31, 2018 and 2017, current assets as at January 31, 2018 and 2017, and fund balances as at February 1, 2016 and 2017 and January 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended January 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

Qualified Opinion

In our opinion, except for the 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 C.A.C.R. de Saint-Boniface as at January 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Professional Accountants

Winnipeg, Manitoba
November 22, 2018

C.A.C.R. DE SAINT-BONIFACE
Statement of Financial Position

January 31	2018	2017
	\$	\$
Assets		
Cash and short-term investments (Note 2)	1,023,945	489,907
Accounts Receivable		
Other	701,787	465,717
Interest	19,718	39,360
	721,505	505,077
Prepaid expenses	43,647	71,209
Investments and Loans		
Parish and Chaplaincy loans	37,521	27,390
Investments and other (Note 3)	9,131,577	8,137,731
	9,169,098	8,165,121
Capital assets (Note 4)	863,630	861,730
	11,821,825	10,093,044
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities (Note 5)	860,608	118,283
Bank indebtedness (Note 6)	447,770	3
Deferred revenue (Note 7)	422,303	-
	1,730,681	118,286
Trust Funds		
Parish and individual deposits	626,994	598,250
Contingent liabilities (Note 6)		
Fund Balances		
Unrestricted	5,764,444	5,616,070
Invested in capital assets	863,630	861,728
Internally restricted	1,878,321	2,034,333
Externally restricted	957,755	864,377
	9,464,150	9,376,508
	11,821,825	10,093,044

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Statement of Revenues, Expenditures and Changes in Fund Balances

For the year ended January 31

	Unrestricted Fund Balance \$	Invested in Capital Assets \$	Internally Restricted Fund Balances \$	Externally Restricted Fund Balances \$	2018 \$	2017 \$
Revenues						
Bursaries - Catholic Missions in Canada	88,944	-	90,000	-	178,944	143,962
Diocesan assessment	1,483,927	-	-	-	1,483,927	1,504,187
Donations and bequests	391,981	-	386,011	239,675	1,017,667	1,024,469
Ecclesiastical Society	-	-	512,855	-	512,855	525,385
Kitchen revenue	21,250	-	-	-	21,250	92,660
Parish offerings	262,032	-	511	-	262,543	271,677
Recoveries	193,248	-	970,715	470	1,164,433	1,362,948
Rooms and rental	197,373	-	122,415	-	319,788	99,913
Revenues realized on investments	121,528	-	20,653	-	170,188	259,234
Change in market value of investments	646,395	-	-	28,007	646,395	288,708
	3,406,678	-	2,103,160	268,152	5,777,990	5,573,143
Expenditures						
Administration	88,107	-	-	-	88,107	88,378
Amortization	-	37,449	-	-	37,449	28,761
Donations: Local, Canadian and Universal Church	788,894	-	320,845	28,162	1,137,901	1,074,440
Food	47,741	-	-	-	47,741	50,428
Furniture and equipment	13,252	-	-	-	13,252	6,186
Insurance	32,076	-	941,543	-	973,619	913,914
Interest	2,901	-	-	-	2,901	47,061
Miscellaneous expenses	30,350	-	66,811	39,644	136,805	122,775
Contractual services	93,434	-	9,870	47,442	150,746	104,138
Professional fees	135,113	-	11,410	-	146,523	165,203
Property taxes	30,508	-	15,273	761	46,542	44,250
Repairs and maintenance	112,149	-	173,498	12,175	297,822	208,448
Salaries	1,513,888	-	37,852	30,735	1,582,475	1,569,427
Pension for retired priests	-	-	513,292	-	513,292	529,119
Meetings and receptions	65,888	-	2,396	1,103	69,387	79,529
Conferences and training	140,202	-	13,359	8,921	162,482	128,369
Rent	13,357	-	164,650	8,019	186,026	222,861
Telephone and utilities	93,424	-	-	3,854	97,278	90,127
	3,201,284	37,449	2,270,799	180,816	5,690,348	5,473,414
Excess (deficiency) of revenues over expenditures for the year	205,394	(37,449)	(167,639)	87,336	87,642	99,729
Fund balances, beginning of year	5,616,070	861,728	2,034,333	864,377	9,376,508	9,276,779
Interfund transfers	(57,020)	39,351	11,627	6,042	-	-
Fund balances, end of year	5,764,444	863,630	1,878,321	957,755	9,464,150	9,376,508

The notes are an integral part of these financial statements.

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Statement of Cash Flows

For the year ended January 31	2018	2017
	\$	\$
Cash Flows from Operating Activities		
Excess of revenues over expenditures for the year	87,642	99,729
Adjustments for		
Amortization of capital assets	37,449	28,761
Unrealized gain on investments	(646,395)	(288,708)
	<u>(521,304)</u>	<u>(160,218)</u>
Changes in non-cash working capital balances		
Accounts receivable		
Other	(236,070)	54,940
Interest	19,642	2,551
Prepaid expenses	27,562	(42,791)
Accounts payable and accrued liabilities	742,325	(427,051)
Deferred revenue	422,303	-
	<u>975,762</u>	<u>(412,351)</u>
	<u>454,458</u>	<u>(572,569)</u>
Cash Flows from Investing and Financing Activities		
Purchase of capital assets	(44,816)	(32,940)
Proceeds on sale of land	5,467	-
Decrease in Parish and Chaplaincy loans	(10,131)	7,471
Increase in investments and other	(347,451)	741,851
Increase in Parish and individual deposits	28,744	37,507
	<u>(368,187)</u>	<u>753,889</u>
Net increase in cash and cash equivalents during the year	86,271	181,320
Cash and cash equivalents, beginning of year	489,904	308,584
Cash and cash equivalents, end of year	576,175	489,904
Represented by		
Cash and short-term investments	1,023,945	489,907
Bank indebtedness	(447,770)	(3)
	<u>576,175</u>	<u>489,904</u>

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Notes to Financial Statements

For the year ended January 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies

(a) Nature and Purpose of the Organization

The Corporation Archiépiscopale Catholique Romaine de Saint-Boniface ("Archdiocese") was constituted by an act of the Legislative Assembly of the Province of Manitoba on May 3, 1871. The Archdiocese is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

(b) Basis of Accounting

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(c) Fund Accounting

The Archdiocese follows the restricted fund method of accounting for contributions.

The Unrestricted Fund accounts for the Archdiocese's program delivery and administrative activities. This fund reports unrestricted resources.

The Internally Restricted Funds report the assets, liabilities, revenues and expenditures related to the Archdiocese's internally restricted activities.

The Externally Restricted Funds report the assets, liabilities, revenues and expenditures related to the Archdiocese's externally restricted activities.

(d) Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Unrestricted Fund in the year in which the related expenditures are incurred. All other restricted contributions are recognized as revenues of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Unrestricted Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income earned on internally or externally restricted fund resources is recognized as revenue of the appropriate restricted fund in the year received.

Unrestricted investment income earned on unrestricted resources is recognized as revenue of the Unrestricted Fund in the year received.

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Notes to Financial Statements

For the year ended January 31, 2018

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

(e) Financial Instruments

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 operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate that asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

(f) Capital Assets

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, as follows:

Buildings and building improvements	40 years
Convent kitchen	10 years
Equipment	5 years
Kitchen equipment	10 years
Computer equipment and software	5-7 years
Vehicle	5 years

Amortization expense is reported in the Invested in Capital Assets fund.

Land for future parish expansion has been accounted for at cost including direct costs thereon.

(g) Pension Plan

The Archdiocese offers a defined contribution pension plan to qualified employees, where the Archdiocese contributes up to an established amount equal to the employee's contribution. The contributions are held in investments managed by a fiduciary trust and expensed as incurred.

(h) Use of Estimates

The preparation of financial statements in accordance 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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Notes to Financial Statements

For the year ended January 31, 2018

2. Cash and Short-term Investments

	2018	2017
	\$	\$
Cash and cash equivalents	984,430	450,392
Short-term investments	39,515	39,515
	1,023,945	489,907

The effective interest rate on the short-term investments was 2.40% to 3.10% (2.75% to 3.10% in 2017).

Short-term investments are liquid and redeemable investments at the discretion of the archdiocese. Cash and cash equivalents include amounts available on current operating accounts with the financial institution, and liquid investments available at any time with the investment portfolio manager.

3. Investments and Other

	2018	2017
	\$	\$
Term deposits	780,774	780,774
Shares - Canadian	1,114,403	798,603
Shares - American	1,039,987	837,548
Bonds and debentures	6,196,413	5,720,806
	9,131,577	8,137,731

The term deposits, bonds and debentures and other investments have maturity dates between June 2019 and June 2108. The effective interest rate on these investments varies from 1.90% to 6.63% (1.90% to 6.63% in 2017).

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Notes to Financial Statements

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4. Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	359,221	-	364,689	-
Buildings and building improvements	538,620	104,854	538,620	93,488
Convent kitchen Equipment	-	-	-	-
Kitchen equipment	16,402	14,261	16,402	13,833
Computer equipment/software	148,017	98,417	103,200	85,738
Vehicle	104,647	85,745	104,647	72,769
	1,166,907	303,277	1,148,090	286,360
Net book value		863,630		861,730

5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$19,342 payable to the receiver general as at March 31, 2018.

6. Contingent Liabilities

Certain bank loans, lines of credit and other loans of parishes have been guaranteed by the Archdiocese as follows:

	Original Guarantee	Principal
	\$	\$
Loans		
Paroisse Cathédrale	1,692,030	1,422,620
Précieux Sang Parish	520,039	409,967
R.C. Parish of St. John the Evangelist	680,000	87,845
R.C Parish of St. Philippe Minh	2,300,000	2,300,000
Other	89,813	62,235
	5,281,882	4,282,667

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6. Contingent Liabilities (continued)

The loans are payable on demand. They are repaid by the debtors and they have not been recorded in the financial statements of the Archdiocese.

The Archdiocese also has a line of credit in effect at January 31, 2018 of \$600,000, which bears interest at prime (3.45% at January 31, 2018) and has a \$447,780 balance.

The Archdiocese has a second line of credit in effect at January 31, 2018 of \$150,000, which bears interest at prime (3.45% at January 31, 2018) and has a nil balance. Both lines of credit are secured by a general security agreement.

The nature of the Archdiocese's activities is such that there is a possibility of litigation pending or in prospect at any time. With respect to potential claims at January 31, management believes the Archdiocese has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management will recognize the potential losses once amounts are confirmed or are reasonably estimated.

7. Deferred Revenue

Deferred revenue reported in the Unrestricted Fund represent restricted funding received in the current period that is related to expenses of a subsequent period.

8. Financial Risk Management

The Archdiocese is exposed to different types of risk in the normal course of operations, including credit risk, market risk, currency risk, interest rate risk and liquidity risk. The Archdiocese's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Archdiocese's activities.

Credit Risk

Credit risk represents the risk of losses if a borrower or a counterparty fails to honour its contractual obligations.

The Archdiocese is exposed to credit risk through its accounts receivables. Its risk management framework allows for a dynamic, sound, prudent and efficient management of credit risk. In that respect, its approach enables it to identify, manage, mitigate and disclose credit risks in an accurate and timely manner.

A concentration of credit risk exists when a certain number of borrowers that engage in similar activities are located in the same geographic region or have similar characteristics. The evolution of economic, political or other conditions may compromise their abilities to meet their contractual obligations. The majority of the accounts receivables and loans and deposits of the Archdiocese are related to Parishes located in the Province of Manitoba.

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8. Financial Risk Management (continued)

Market Risk

Market risk refers to the risk of changes in the fair values of financial instruments resulting from fluctuations in the parameters affecting this value; in particular, interest rates, exchange rates, and their volatility.

The Archdiocese is subject to market risk with its marketable securities. The values of these financial instruments will fluctuate as a result of changes in market prices or factors affecting the values of the underlying investments such as interest rates, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances.

An immediate hypothetical change of 1% in investment values will impact the Archdiocese's investments by an approximate gain or loss of \$91,316 (\$81,377 in 2017).

Currency Risk

Changes in the value of the Canadian Dollar compared to foreign currencies will affect the value, in Canadian Dollars, of any foreign securities held by the Archdiocese. These fluctuations may reduce, or even eliminate, any return the Archdiocese has earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments.

At January 31, 2018, the Archdiocese's exposure to U.S. equities was \$2,409,069 (\$1,900,150 in 2017). A 1% change in the Canadian dollar versus US dollar exchange rate would result in gain or loss of \$24,091 (19,001 in 2017).

Interest Rate Risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. Financial risks of the Archdiocese are managed by monitoring investment performance results and by diversifying the portfolio within constraints set by the Board of directors. Investments are actively managed to mitigate or take advantage of changes in interest rates.

At January 31, 2018, the Archdiocese holds approximately \$6,977,187 in fixed income securities (\$6,501,580 in 2017). A 1% change in nominal interest rates, with all other variables held constant, would result in an increase or decrease of the fair value of \$69,772 (\$65,016 in 2017).

Liquidity Risk

Liquidity risk is the risk that the Archdiocese will not be able to meet its financial obligations as they fall due. The Archdiocese maintains an investment policy which contains assets mix guidelines which help to ensure the Archdiocese is able to liquidate investments to meet its obligations.

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Notes to Financial Statements

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9. Related Party Transactions

Asset Protection Insurance Exchange

The Asset Protection Insurance Exchange, a reciprocal insurance exchange, was formed in 2001 by an agreement among Catholic Episcopal Corporations in the provinces of Alberta, British Columbia, Manitoba, Saskatchewan and the three northern territories with the purpose of providing its subscribers with insurance, asset protection and risk management programs.

The payments made to the Asset Protection Insurance Exchange during the year ended January 31, 2018 represent premiums paid on behalf of the parishes of the Archdiocese of Saint-Boniface participating in the plan in the amount of \$579,938 net of rebates received of \$0.05 per \$100 of insured value (\$556,913 in 2017 net of rebates received of \$0.05 per \$100 of insured value). These transactions are in the normal course of business and are measured at the exchange amount.