

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

Financial Statements

For the year ended January 31, 2017

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Financial Statements

For the year ended January 31, 2017

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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, 2017 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, 2017 and 2016, current assets as at January 31, 2017 and 2016, and fund balances as at February 1, 2015 and 2016 and January 31 for both the 2017 and 2016 years. Our audit opinion on the financial statements for the year ended January 31, 2015 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, 2017 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
February 27, 2018

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

Statement of Financial Position

January 31	2017	2016
	\$	\$
Assets		
Cash and short-term investments (Note 2)	489,907	787,996
Accounts Receivable		
Other	465,717	520,657
Interest	39,360	41,911
	505,077	562,568
Prepaid expenses	71,209	28,418
Investments and Loans		
Parish and Chaplaincy loans	27,390	34,861
Investments and other (Note 3)	8,137,731	8,590,874
	8,165,121	8,625,735
Capital assets (Note 4)	861,730	857,548
	10,093,044	10,862,265
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	118,283	545,331
Bank indebtedness (Note 5)	3	479,412
	118,286	1,024,743
Trust Funds		
Parish and individual deposits	598,250	560,743
Contingent liabilities (Note 5)		
Fund Balances		
Unrestricted	5,616,070	5,592,437
Invested in capital assets	861,728	857,549
Internally restricted	2,034,333	1,906,249
Externally restricted	864,377	920,544
	9,376,508	9,276,779
	10,093,044	10,862,265

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

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 \$	2017 \$	2016 \$
Revenues						
Bursaries - Catholic Missions in Canada	83,962	-	60,000	-	143,962	141,600
Diocesan assessment	1,504,187	-	-	-	1,504,187	1,497,424
Donations and bequests	259,128	-	741,429	23,912	1,024,469	443,022
Ecclesiastical Society	-	-	525,385	-	525,385	630,264
Kitchen revenue	92,660	-	-	-	92,660	116,147
Parish offerings	271,677	-	-	-	271,677	280,524
Recoveries	440,605	-	921,973	370	1,362,948	1,290,304
Rooms and rental	99,913	-	-	-	99,913	91,628
Revenues realized on investments	202,584	-	29,178	27,472	259,234	282,577
Change in market value of investments	288,708	-	-	-	288,708	(308,957)
	3,243,424	-	2,277,965	51,754	5,573,143	4,464,533
Expenditures						
Administration	88,368	-	-	10	88,378	88,064
Amortization	-	28,761	-	-	28,761	25,656
Donations: Local, Canadian and Universal Church	718,799	-	326,843	28,798	1,074,440	987,635
Food	50,428	-	-	-	50,428	67,009
Furniture and equipment	6,186	-	-	-	6,186	9,220
Insurance	34,242	-	879,672	-	913,914	976,531
Interest	47,061	-	-	-	47,061	19,427
Miscellaneous expenses	112,104	-	6,241	4,430	122,775	58,448
Contractual services	86,458	-	2,305	15,375	104,138	74,199
Professional fees	165,203	-	-	-	165,203	141,057
Property taxes	29,858	-	13,667	725	44,250	42,733
Repairs and maintenance	123,241	-	67,831	17,376	208,448	166,694
Salaries	1,471,888	-	68,535	29,004	1,569,427	1,675,406
Pension for retired priests	-	-	529,119	-	529,119	657,544
Meetings and receptions	77,887	-	765	877	79,529	74,089
Conferences and training	110,954	-	17,415	-	128,369	196,671
Rent	57,336	-	164,440	1,085	222,861	129,476
Telephone and utilities	86,218	-	33	3,876	90,127	94,977
	3,266,231	28,761	2,076,866	101,556	5,473,414	5,484,836
Excess (deficiency) of revenues over expenditures for the year	(22,807)	(28,761)	201,099	(49,802)	99,729	(1,020,303)
Fund balances, beginning of year	5,592,437	857,549	1,906,249	920,544	9,276,779	10,297,082
Interfund transfers	46,440	32,940	(73,015)	(6,365)	-	-
Fund balances, end of year	5,616,070	861,728	2,034,333	864,377	9,376,508	9,276,779

The notes are an integral part of these financial statements.

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Statement of Cash Flows

For the year ended January 31	2017	2016
	\$	\$
Cash Flows from Operating Activities		
Excess (deficiency) of revenues over expenditures for the year	99,729	(1,020,303)
Adjustments for		
Amortization of capital assets	28,761	25,656
Unrealized gain on investments	(288,708)	308,957
	<u>(160,218)</u>	<u>(685,690)</u>
Changes in non-cash working capital balances		
Accounts receivable		
Other	54,940	(116,781)
Interest	2,551	792
Prepaid expenses	(42,791)	12,169
Accounts payable and accrued liabilities	(427,051)	259,516
	<u>(412,351)</u>	<u>155,696</u>
	<u>(572,569)</u>	<u>(529,994)</u>
Cash Flows from Investing and Financing Activities		
Disposal (purchase) of capital assets	(32,940)	4,000
Decrease in Parish and Chaplaincy loans	7,471	3,892
Increase in investments and other	741,851	407,741
Increase in Parish and individual deposits	37,507	14,564
	<u>753,889</u>	<u>430,197</u>
Net increase (decrease) in cash and cash equivalents during the year	181,320	(99,797)
Cash and cash equivalents, beginning of year	308,584	408,381
Cash and cash equivalents, end of year	489,904	308,584
Represented by		
Cash and short-term investments	489,907	787,996
Bank indebtedness	(3)	(479,412)
	<u>489,904</u>	<u>308,584</u>

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Notes to Financial Statements

For the year ended January 31, 2017

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, 2017

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, 2017

2. Cash and Short-term Investments

	2017	2016
	\$	\$
Cash and cash equivalents	450,392	748,481
Term deposits	39,515	39,515
	489,907	787,996

The effective interest rate on the term deposits was 2.75% to 3.10% (2.75% to 3.10% in 2016).

3. Investments and Other

	2017	2016
	\$	\$
Term deposits	780,774	780,774
Shares - Canadian	798,603	1,166,654
Shares - American	837,548	1,871,696
Bonds and debentures	5,720,806	4,771,750
	8,137,731	8,590,874

The term deposits, bonds and debentures and other investments have maturity dates between September 2017 and June 2108. The effective interest rate on these investments varies from 1.90% to 6.63% (1.95% to 6.63% in 2016).

4. Capital Assets

	2017		2016	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
	\$	\$	\$	\$
Land	364,689	-	364,689	-
Buildings and building improvements	538,620	93,488	538,620	82,123
Convent kitchen	-	-	10,411	10,411
Equipment	20,532	20,532	20,532	20,532
Kitchen equipment	16,402	13,833	16,402	13,405
Computer equipment/software	103,200	85,738	85,073	81,747
Vehicle	104,647	72,769	89,833	59,794
	1,148,090	286,360	1,125,560	268,012
Net book value		861,730		857,548

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Notes to Financial Statements

For the year ended January 31, 2017

5. 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		
Holy Cross School Inc.	600,000	59,073
Précieux Sang Parish	520,039	436,877
R.C. Parish of St. John the Evangelist	680,000	138,661
Other	15,000	9,336
	1,815,039	643,947

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, 2017 of \$600,000, which bears interest at prime (3.05% at January 31, 2017) and has a nil balance.

The Archdiocese has a second line of credit in effect at January 31, 2017 of \$150,000, which bears interest at prime (3.05% at January 31, 2017) and has a nil balance. Both lines of credit are secured by a general security agreement.

6. 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.

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Notes to Financial Statements

For the year ended January 31, 2017

6. Financial Risk Management (continued)

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.

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 \$81,377 (\$85,909 in 2016).

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, 2017, the Archdiocese's exposure to U.S. equities was \$1,900,150 (\$1,896,302 in 2016). A 1% change in the Canadian dollar versus US dollar exchange rate would result in gain or loss of \$19,001 (\$18,963 in 2016).

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, 2017, the Archdiocese holds approximately \$6,501,580 in fixed income securities (\$5,552,524 in 2016). 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 \$65,016 (\$55,525 in 2016).

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Notes to Financial Statements

For the year ended January 31, 2017

6. Financial Risk Management (continued)

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.

7. 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, 2017 represent premiums paid on behalf of the parishes of the Archdiocese of Saint-Boniface participating in the plan in the amount of \$556,913 net of rebates received of \$0.05 per \$100 of insured value (\$575,359 in 2016 net of rebates received of \$0.05 per \$100 of insured value).