



Financial Statements

The Cathedral Church of St. James

December 31, 2018

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Independent Auditor's Report

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To the Members of Vestry of
The Cathedral Church of St. James

Opinion

We have audited the financial statements of The Cathedral Church of St. James (the “Cathedral”), which comprise the statement of financial position as at December 31, 2018, and the statements of activities, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Cathedral Church of St. James as at December 31, 2018, and the results of its activities and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Cathedral in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Cathedral's ability to continue as a going concern, disclosing, as applicable, matters related to a going concern and using the going concern basis of accounting unless management either intends to liquidate the Cathedral or to cease operations, or has no realistic alternative to do so.

Those charged with governance are responsible for overseeing the Cathedral's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Cathedral's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Cathedral's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Cathedral to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Toronto, Canada
February 6, 2019

Chartered Professional Accountants
Licensed Public Accountants

The Cathedral Church of St. James

Statement of Financial Position

As at December 31

2018

2017

Assets

Current assets

Cash

Operating funds	\$ 731,918	\$ 86,404
Restricted funds	474,944	440,375

Accounts receivable

Operating funds	291,868	215,798
Restricted funds	2,724	15,871

Prepaid expenses

<u>29,070</u>	<u>24,304</u>
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<u>1,530,524</u>	<u>782,752</u>
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Long-term assets

Investments - restricted funds (Note 3)	15,477,149	16,237,721
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Property and equipment (Note 4)	<u>18,607,538</u>	<u>19,001,891</u>
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<u>34,084,687</u>	<u>35,239,612</u>
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<u>\$ 35,615,211</u>	<u>\$ 36,022,364</u>
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Liabilities and Fund Balances

Current liabilities

Accounts payable and accrued liabilities (Note 9)	\$ 258,083	\$ 288,538
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Deferred revenue	7,188	92,902
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Deferred special purpose contributions (Note 5)	<u>506,076</u>	<u>203,652</u>
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<u>771,347</u>	<u>585,092</u>
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Guarantees (Note 6)

Fund balances

Unrestricted	55,718	(483,684)
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Invested in property and equipment	18,607,538	19,001,891
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Externally restricted (Note 7)	4,877,275	4,836,595
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Internally restricted (Note 7)	443,068	461,387
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Endowment (Note 8)	<u>10,860,265</u>	<u>11,621,083</u>
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<u>34,843,864</u>	<u>35,437,272</u>
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<u>\$ 35,615,211</u>	<u>\$ 36,022,364</u>
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On behalf of the Cathedral Council

_____ Churchwarden

_____ Churchwarden

See accompanying notes to the financial statements.

The Cathedral Church of St. James

Statement of Activities – Operating Funds

Year ended December 31

			2018	2017
	Cathedral	Cemetery	Total	Total
Revenue				
Services and supplies	\$ -	\$ 1,386,476	\$ 1,386,476	\$ 1,463,762
Rental income	979,194	48,715	1,027,909	770,244
Offerings	807,945	-	807,945	832,757
Investment income (Note 8)	274,363	92,256	366,619	382,620
Other income	263,668	-	263,668	251,013
Burial lot sales	-	130,417	130,417	147,824
Special purpose contributions (Note 5)	<u>111,575</u>	<u>-</u>	<u>111,575</u>	<u>173,481</u>
	<u>2,436,745</u>	<u>1,657,864</u>	<u>4,094,609</u>	<u>4,021,701</u>
Expenses				
Cathedral and Cathedral Centre	1,213,275	-	1,213,275	1,244,738
Cemetery operating costs	-	1,085,074	1,085,074	1,092,046
Administration	586,579	-	586,579	566,709
Clergy	442,485	-	442,485	452,901
Organist, choir and music	359,567	-	359,567	403,060
Outreach and synod	354,413	-	354,413	311,331
Special purpose disbursements (Note 5)	111,575	-	111,575	173,481
Committees	<u>95,881</u>	<u>-</u>	<u>95,881</u>	<u>87,961</u>
	<u>3,163,775</u>	<u>1,085,074</u>	<u>4,248,849</u>	<u>4,332,227</u>
Excess (deficiency) of revenue over expenses before other items	(727,030)	572,790	(154,240)	(310,526)
Bequests	856,645	-	856,645	20,000
Designated donation	-	-	-	65,000
Interest on guarantees (Note 6)	<u>(6,598)</u>	<u>-</u>	<u>(6,598)</u>	<u>(7,019)</u>
Excess (deficiency) of revenue over expenses before amortization	123,017	572,790	695,807	(232,545)
Amortization of property and equipment	<u>(722,128)</u>	<u>(145,286)</u>	<u>(867,414)</u>	<u>(854,803)</u>
Excess (deficiency) of revenue over expenses	<u>\$ (599,111)</u>	<u>\$ 427,504</u>	<u>\$ (171,607)</u>	<u>\$ (1,087,348)</u>

See accompanying notes to the financial statements.

The Cathedral Church of St. James
Statement of Activities – Endowment and Restricted Funds

Year ended December 31 2018 2017

Revenue		
Cemetery receipts	\$ 283,097	\$ 303,824
Investment income	109,799	94,251
Bequests and restricted gifts	<u>65,000</u>	<u>49,800</u>
	<u>457,896</u>	<u>447,875</u>
Expenses		
Restricted cemetery disbursements	168,392	143,103
Restricted trust disbursements	<u>20,780</u>	<u>61,412</u>
	<u>189,172</u>	<u>204,515</u>
Excess of revenue over expenses before other item	268,724	243,360
Unrealized (losses) gains on investments	<u>(690,525)</u>	<u>255,029</u>
Excess (deficiency) of revenue over expenses	\$ <u>(421,801)</u>	\$ <u>498,389</u>

See accompanying notes to the financial statements.

The Cathedral Church of St. James

Statement of Changes in Fund Balances

Year ended December 31

	Fund balances, beginning of year	Excess (deficiency) of revenue over expenses	Transfers	2018 Fund balances end of of year
Unrestricted	\$ (483,684)	\$ 695,807	\$ (156,405)	\$ 55,718
Invested in property and equipment	19,001,891	(867,414)	473,061	18,607,538
Externally restricted (Note 7)	4,836,595	(24,320)	65,000	4,877,275
Internally restricted (Note 7)	461,387	(18,319)	-	443,068
Endowment (Note 8)	<u>11,621,083</u>	<u>(379,162)</u>	<u>(381,656)</u>	<u>10,860,265</u>
	<u>\$ 35,437,272</u>	<u>\$ (593,408)</u>	<u>\$ -</u>	<u>\$ 34,843,864</u>

	Fund balances, beginning of year	Excess (deficiency) of revenue over expenses	Transfers	2017 Fund balances end of of year
Unrestricted	\$ (386,308)	\$ (232,545)	\$ 135,169	\$ (483,684)
Invested in property and equipment	19,512,156	(854,803)	344,538	19,001,891
Externally restricted (Note 7)	4,461,007	245,588	130,000	4,836,595
Internally restricted (Note 7)	452,956	8,431	-	461,387
Endowment (Note 8)	<u>11,986,420</u>	<u>244,370</u>	<u>(609,707)</u>	<u>11,621,083</u>
	<u>\$ 36,026,231</u>	<u>\$ (588,959)</u>	<u>\$ -</u>	<u>\$ 35,437,272</u>

See accompanying notes to the financial statements.

The Cathedral Church of St. James

Statement of Cash Flows

Year ended December 31

2018

2017

Operating activities		
Excess (deficiency) of revenue over expenses		
Operating funds	\$ (171,607)	\$ (1,087,348)
Endowment and Restricted funds	(421,801)	498,389
Items not involving cash		
Amortization of property and equipment	867,414	854,803
Unrealized losses (gains) on investments	<u>690,525</u>	<u>(255,029)</u>
	<u>964,531</u>	<u>10,815</u>
Net change in non-cash working capital items		
Accounts receivable	(62,923)	54,520
Prepaid expenses	(4,766)	3,763
Accounts payable and accrued liabilities	(30,455)	30,018
Deferred revenue	(85,714)	(1,425)
Deferred special purpose contributions	<u>302,424</u>	<u>(36,146)</u>
	<u>118,566</u>	<u>50,730</u>
	<u>1,083,097</u>	<u>61,545</u>
Investing and financing activities		
Purchase of property and equipment	(473,061)	(344,538)
Disposal of investments	<u>70,047</u>	<u>52,947</u>
	<u>(403,014)</u>	<u>(291,591)</u>
Net change in cash during the year	680,083	(230,046)
Cash		
Beginning of year	<u>526,779</u>	<u>756,825</u>
End of year	\$ <u>1,206,862</u>	\$ <u>526,779</u>

Cash, end of year, held as follows

Operating funds	\$ 731,918	\$ 86,404
Restricted funds	<u>474,944</u>	<u>440,375</u>
	\$ <u>1,206,862</u>	\$ <u>526,779</u>

See accompanying notes to the financial statements.

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

1. Purpose

The Cathedral Church of St. James (the "Cathedral") is a symbol of God's presence and love in our city. The Cathedral is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes. Its mission is to proclaim the Gospel of Jesus Christ and to:

- provide a spiritual sanctuary and a place of worship within the fullness of the liturgical traditions of the Anglican Church;
- offer everyone welcoming hospitality, healing, hope and opportunities to learn so that we may build community in a fragmented world; and
- be a focal point for the life of the Anglican Church in the Diocese of Toronto and for the ministry of our Bishop.

These financial statements include the accounts of the Cathedral and St. James' Cemetery (the "Cemetery").

2. Summary of significant accounting policies

Basis of presentation

The Cathedral has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

Use of estimates

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Certain items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess (deficiency) of revenue over expenses as appropriate in the year they become known.

Fund accounting

The accounts are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose.

Operating funds

These funds include the assets, liabilities, revenue and expenses applicable to the ongoing operations of the Cathedral, including its cemetery.

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

2. Summary of significant accounting policies (continued)

Fund accounting (continued)

Cemetery restricted funds

The Cemetery care and maintenance fund is established to provide for care of the Cemetery grounds in perpetuity. In accordance with the Cemetery Act, a minimum of 40% of all cemetery plot sales and 15% of all niche sales are deposited to this fund. The remaining balance is recorded as income in the Cemetery operating fund in the year of the sale. Investment income earned by the Cemetery care and maintenance fund is recorded in the Cemetery operating fund.

The endowment fund for care of graves is established to provide special care for specific graves in perpetuity as prescribed by the source of the funds. Income earned by the fund is recorded in the Cemetery operating fund and is used to offset expenses charged for maintenance of the graves.

The pre-need assurance trust is established with proceeds from sales of services which are to be provided at a future date. Amounts received in connection with pre-need sales contracts are deposited to this fund and administered by a trustee. Income earned from amounts on deposit is retained by the fund and allocated to individual contracts.

Cathedral restricted funds

These include funds received by the Cathedral that are held in trust to comply with the specific terms set by the donors. Such trust funds are long-term in nature in that the contribution is to be invested and held for an indefinite or defined term and have specific provisions as to the distribution of any income derived therefrom. Where permitted by the terms of a fund, income is recorded as revenue in the Cathedral operating fund.

Financial instruments

The Cathedral considers any contract creating a financial asset, liability or equity instrument as a financial instrument. The Cathedral's accounts financial instruments include cash, accounts receivable, investments and accounts payable.

The Cathedral's financial instruments are measured at fair value when issued or acquired.

At each reporting date, the Cathedral measures its financial assets and liabilities at cost or amortized cost (less impairment in the case of financial assets), except for investments. Investments in equities quoted in an active market must be measured at fair value and the Cathedral has irrevocably elected to measure its investments in bonds at fair value. All changes in fair value of the Cathedral's investments are recorded in the statement of activities.

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

2. Summary of significant accounting policies (continued)

Property and equipment

Purchased property and equipment are recorded in the Cathedral and Cemetery operating funds at cost. Amortization is provided over the estimated useful lives of the assets on a straight-line basis as follows:

Cathedral Centre	Over 35 years
Major building improvements	Over 20 years
Furnishings and equipment	Over 3 to 5 years
Major organ work	Over 20 years
Cemetery buildings	Over 30 years
Crematorium retorts	Over 7 to 10 years

The original organ and change-ringing bells are considered historical treasures and accordingly, no amortization is applied to their respective costs of \$99,668 and \$400,000.

Revenue recognition

The Cathedral follows the restricted fund method of accounting. Funds received which are externally restricted by the donor are recorded as revenue of the appropriate restricted fund when received.

Special purpose contributions are restricted gifts that relate to activities recorded in general operations and accordingly are deferred and recognized as revenue of the Cathedral operating fund in the year in which the related expenses are incurred.

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

Rental revenue from the Cathedral Centre is recognized once the event has occurred and services have been rendered. The non-refundable portion of deposits is recognized at the time of receipt. The refundable portion of deposits is recognized at the event date.

Cemetery services and supplies and burial lot sales are recognized when the significant risks and rewards of ownership have been transferred.

Investment income

Investment income and realized and unrealized gains and losses are allocated to the funds based on the actual return earned by the assets allocated to or held by each fund during the year. Depending on the terms of the individual restricted funds, this income is retained by the funds or recognized as income of the unrestricted funds (Notes 7 and 8).

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

2. Summary of significant accounting policies (continued)

Donated goods and services and non-monetary transaction

Donated goods and capital donations of a significant nature are recorded in the accounts at fair market value.

Volunteers contribute a substantial number of hours during the year to assist the Cathedral in carrying out its mission. Because of the difficulty in determining the fair market value, contributed services are not recognized in the financial statements.

Non-monetary transactions relate to the exchange of services of wage costs for housing and are measured at the fair value of the services provided. In 2018, no non-monetary transactions occurred. In 2017, \$29,469 of non-monetary services were provided for rental revenue with an equivalent charge to organist, choir and music expenses.

3. Objectives, policies and processes for managing capital

The Cathedral's capital is comprised of the net assets invested in property and equipment, the unrestricted fund balances, the internally restricted fund balances and the externally restricted fund balances.

The Cathedral invests in property and equipment in order to provide worship, program, and community space that is appropriate to the needs of the many groups that make up the Cathedral community. The Cathedral Centre and Cathedral Church are buildings of historical and religious significance. A multi-year property plan is maintained. With staff assistance, the Cathedral Council authorizes funds to be spent annually on capital projects.

The plan for fiscal 2018 was modest given the limited availability of funds for capital purposes. Construction of a new columbarium, refurbishment of the condensation tank and consulting costs relating to the Hillside project were the main projects completed.

The Cathedral's objective is to maintain an unrestricted fund balance sufficient to meet both annual working capital requirements and annual maintenance of property and equipment. This is done through the annual operating budget approval process, and reviewing the investment portfolio returns relative to the operating budget income requirements and capital budget requirements. Since available funds were expended in recent years to pay off capital debt related to the Cathedral Centre project, it will be incumbent upon the Cathedral to devise a financial plan that includes planned giving to refurbish funds necessary for future capital maintenance and long-term capital improvements. Additionally, The Cathedral plans to address the unrestricted fund balance deficit over the next three years.

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

3. Objectives, policies and processes for managing capital (continued)

Staff and the Finance Committee work together to ensure externally restricted funds are maintained in accordance with the terms of their contributors. Where allowed by the terms of the funds, the objective of the investment policy is over the long-term to maintain the capital of the funds after inflation. The policy allows the funds to be invested in money markets, bonds and equities in accordance with a portfolio mix as set out below.

During 2018, the cash distribution yield from the restricted fund was 3.1% (2017 – 2.9%) versus a targeted amount of 3.5% (2017 - 3.5%), and fund balances decreased by 5.0% (2017 - increased by 1.8%) due to investment losses.

The Cathedral is subject to the disbursement requirements set by the Canada Revenue Agency for Canadian charities, and as at the end of fiscal 2018 was in compliance with these requirements.

The Cathedral as part of the Diocese is also subject to certain Canonical restrictions on its capital. For the sale of certain assets or incurrence of certain debt, the Cathedral is required to obtain approval from the Diocese.

The Cathedral maintains investment portfolios managed by professional investment managers, to provide the Cathedral with financial resources to meet its short-term requirements and to maintain the long-term security of the portfolios. The Cathedral's investment managers are required to invest the Cathedral's funds in accordance with its Investment Policy, most recently revised in 2018 (the minimum and maximum investment limits are assessed in aggregate across the funds), and any restrictions prescribed by the Anglican Church of Canada and the Diocese of Toronto. The Investment Policy provides as follows:

	<u>Aggregate Funds</u>
Cash	3 – 10%
Fixed income securities	30 – 85%
Equity securities	15 – 70%

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

4. Property and equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	2018 Net Book Value	2017 Net Book Value
<i>Cathedral</i>				
Cathedral property	\$ 380,299	\$ -	\$ 380,299	\$ 380,299
Cathedral Centre	18,482,092	3,518,778	14,963,314	15,491,374
Major building improvements	2,701,276	1,264,692	1,436,584	1,527,079
Furnishings and equipment	1,007,527	874,717	132,810	129,463
Organ	142,295	20,659	121,636	123,768
Change-ringing bells	<u>402,663</u>	<u>-</u>	<u>402,663</u>	<u>402,663</u>
	<u>23,116,152</u>	<u>5,678,846</u>	<u>17,437,306</u>	<u>18,054,646</u>
<i>Cemetery</i>				
Cemetery land	219,238	-	219,238	108,999
Cemetery buildings	583,764	171,462	412,302	348,933
Crematorium retorts	1,401,591	1,136,474	265,117	171,059
Major building improvements	759,652	494,506	265,146	303,142
Furnishings and equipment	<u>446,872</u>	<u>438,443</u>	<u>8,429</u>	<u>15,112</u>
	<u>3,411,117</u>	<u>2,240,885</u>	<u>1,170,232</u>	<u>947,245</u>
	<u>\$ 26,527,269</u>	<u>\$ 7,919,731</u>	<u>\$ 18,607,538</u>	<u>\$ 19,001,891</u>

5. Deferred special purpose contributions

Deferred special purpose contributions include amounts received in respect of special projects. Activity in these funds is summarized as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 203,652	\$ 239,798
Amounts received	426,002	153,583
Amounts disbursed and recognized as revenue in the year	<u>(123,578)</u>	<u>(189,729)</u>
Balance, end of year	<u>\$ 506,076</u>	<u>\$ 203,652</u>

6. Guarantees

The Cathedral has provided to the City of Toronto standby letters of guarantee. The letters of guarantee are represented by indemnity agreements relating to the Cathedral Centre construction. The letters total \$352,105 (2017 - \$352,105). Security for the guarantees is provided in the form of the Cathedral's guaranteed investment certificate in the amount of \$378,520. The guarantees are interest bearing at an average rate of 1.05%.

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

7. Restricted funds

	<u>2018</u>	<u>2017</u>
Revenue		
Donations	\$ 65,000	\$ 49,800
Cemetery receipts	208,237	224,100
Net income after transfers to operating fund	(127,484)	182,705
Transfers from other funds	65,000	130,000
Disbursements	<u>(188,392)</u>	<u>(202,586)</u>
	22,361	384,019
Fund balances, beginning of year	<u>5,297,982</u>	<u>4,913,963</u>
Total restricted funds, end of year	5,320,343	5,297,982
Externally restricted fund balance, end of year	<u>4,877,275</u>	<u>4,836,595</u>
Internally restricted fund balance, end of year	\$ <u>443,068</u>	\$ <u>461,387</u>

During the year, investment income earned on restricted funds in the amounts of \$235,055 and \$Nil was credited directly to the Cathedral and Cemetery operating funds respectively and is included with the investment income presented by those funds.

8. Endowment funds

	<u>2018</u>	<u>2017</u>
Endowment – capital, beginning of year	\$ 7,801,695	\$ 7,721,971
Cemetery receipts	<u>74,860</u>	<u>79,724</u>
Endowment – capital, end of year	<u>7,876,555</u>	<u>7,801,695</u>
Endowment – disburseable, beginning of year	3,819,388	4,264,449
Net income (loss) after transfers to operating fund	(453,242)	166,576
Disbursements	(780)	(1,930)
Transfers	<u>(381,656)</u>	<u>(609,707)</u>
Endowment – disburseable, end of year	<u>2,983,710</u>	<u>3,819,388</u>
Fund balance, end of year	\$ <u>10,860,265</u>	\$ <u>11,621,083</u>

During the year, investment income earned on the endowment funds in the amounts of \$31,282 and \$92,256 was credited directly to the Cathedral and Cemetery operating funds respectively and is included with the investment income presented by those funds. Total investment income from Notes 7 and 8 credited directly to the Cathedral and Cemetery operating funds is \$266,337 and \$92,256 respectively.

The Cathedral Church of St. James

Notes to the Financial Statements

Year ended December 31, 2018

9. Financial instruments

Transactions in financial instruments may result in the Cathedral assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

Other price risk

The Cathedral is exposed to other price risk on its investment in equities quoted in an active market since changes in market prices could result in changes in the fair value of these instruments. The Cathedral manages its other price risk by ensuring that its investments are invested in accordance to its Investment Policy that ensures a diversified portfolio.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Cathedral is subject to interest rate risk on its fixed income investments. The Cathedral manages its interest rate risk by ensuring that its investments are invested in accordance to its Investment Policy.

Liquidity risk

The Cathedral's liquidity risk represents the risk that the Cathedral could encounter difficulty in meeting obligations associated with its financial liabilities. Therefore, the Cathedral is exposed to liquidity risk with respect to its accounts payable. The Cathedral manages its liquidity risk by forecasting cash flows from operations and investing and financing activities to ensure that it has sufficient funds available to meet current and foreseeable financial obligations. It is management's opinion that the Cathedral is not exposed to significant liquidity risk.

Accounts payable include government remittances payable of \$nil (2017 - \$11,162).

Credit risk

Credit risk is the risk of financial loss occurring as a result of a counter party to a financial instrument failing to discharge an obligation or commitment that it has entered into with the Cathedral. The Cathedral's main credit risks relate to its accounts receivable. The Cathedral reduces its exposure to credit risk by monitoring credit risk, adopting policies and procedures to ensure credit is only provided to credit worthy individuals and creating an allowance for doubtful accounts when appropriate. At December 31, 2018, the allowance for doubtful accounts is \$830 (2017 - \$1,680). As a result, it is management's opinion that the Cathedral is not exposed to significant credit risk