The Roman Catholic Episcopal Corporation of Yarmouth

Non-Consolidated Financial Statements

December 31, 2019

Contents

For the year ended December 31, 2019
(Unaudited)

Independent Practitioner's Review Engagement Report

To the Most Reverend Anthony Mancini
Archbishop of Yarmouth
The Roman Catholic Episcopal Corporation of Yarmouth:

We have reviewed the accompanying non-consolidated financial statements of The Roman Catholic Episcopal Corporation of Yarmouth that comprise the non-consolidated statement of financial position as at December 31, 2019, and the non-consolidated statements of operations, changes in net assets (deficit) and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Non-Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these non-consolidated 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 non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Practitioner's Responsibility
Our responsibility is to express a conclusion on the accompanying non-consolidated financial statements based on our review. We conducted our review in accordance with Canadian generally accepted standards for review engagements, which require us to comply with relevant ethical requirements.

A review of non-consolidated financial statements in accordance with Canadian generally accepted standards for review engagements is a limited assurance engagement. The practitioner performs procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in extent than, and vary in nature from, those performed in an audit conducted in accordance with Canadian generally accepted auditing standards. Accordingly, we do not express an audit opinion on these non-consolidated financial statements.

Basis for Qualified Conclusion
In common with many charitable organizations, the organization derives many different types of revenues from the general public, including donations, contributions, bequests and gifts, the completeness of which is not susceptible to satisfactory review verification. Accordingly, our verification of these revenues was limited to the amount recorded in the records of the Corporation and we were not able to determine whether any adjustments might be necessary to the non-consolidated statements.

Qualified Conclusion
Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the non-consolidated financial statements do not present fairly, in all material respects, the financial position of The Roman Catholic Episcopal Corporation of Yarmouth as at December 31, 2019, 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.

Emphasis of Matter
Without qualifying our conclusion, we draw attention to note 1 in the non-consolidated financial statements which describes the basis of presentation used in preparing these non-consolidated financial statements.

Without qualifying our conclusion, we draw attention to note 11 in the non-consolidated financial statements which describes a class action lawsuit that the Corporation has been named in.

Other Matter
The non-consolidated financial statements of The Roman Catholic Episcopal Corporation of Yarmouth for the year ended December 31, 2018 were reviewed by another professional accounting firm, who expressed an unmodified conclusion on those statements on June 20, 2019.

Dartmouth, Nova Scotia

July 2, 2020

MNP LLP
Chartered Professional Accountants

The Roman Catholic Episcopal Corporation of Yarmouth
Non-Consolidated Statement of Financial Position
As at December 31, 2019
(Unaudited)

	2019	2018
Assets		
Current		
Cash and cash equivalents	**309,285**	139,663
Accounts receivable *(Note 3)*	**69,073**	81,032
Current portion of long-term investments *(Note 4)*	**353,961**	240,678
Prepaid expenses and deposits	**4,567**	-
	736,886	461,373
Investments *(Note 4) (Note 5)*	**2,500,363**	2,252,866
Cash surrender value of life insurance	**6,991**	6,910
	3,244,240	2,721,149
Liabilities		
Current		
Accounts payable and other accruals *(Note 7)*	**269,195**	37,934
Special purpose funds	**19,468**	18,524
Demand loan *(Note 6)*	**310,000**	360,000
Current portion of parish funds on deposit *(Note 8)*	**59,807**	147,224
	658,470	563,682
Parish funds on deposit and other long-term liabilities *(Note 8)*	**2,435,425**	2,303,726
Due to The Roman Catholic Episcopal Corporation of Halifax	**-**	30,585
	3,093,895	2,897,993
Contingent liabilities *(Note 11)*		
Subsequent event *(Note 12)*		
Net assets (deficit)	**150,345**	(176,844)
	3,244,240	2,721,149

Approved on behalf of the board

Director

The accompanying notes are an integral part of these non-consolidated financial statements

The Roman Catholic Episcopal Corporation of Yarmouth
Non-Consolidated Statement of Operations
For the year ended December 31, 2019
(Unaudited)

	2019	*2018*
Revenue		
Received from parishes		
Contributions based on revenues	**252,218**	251,461
Investment income *(Note 5)*	**81,894**	66,810
Interest from parishes	**2,077**	2,658
Miscellaneous income	**-**	4,757
	336,189	325,686
Expenses		
General	**102,085**	8,946
Business office	**17,025**	29,717
Infirm and retired priests	**30,119**	34,587
Assistance to parishes	**27,888**	27,410
Chaplaincy	**108**	278
Catechetics	**47,063**	46,756
CCCB	**15,654**	13,704
	239,942	161,398
Excess of revenues over expenditures before other income (expenses)	**96,247**	164,288
Other income (expenses)		
Recoveries	**9,213**	8,339
Interest parish	**(58,080)**	(48,054)
Interest other	**(14,701)**	(15,087)
Investment and management *(Note 5)*	**(17,794)**	(17,948)
Bad debt expense	**(161)**	(9,203)
Realized gain on investments *(Note 5)*	**62,671**	4,267
Unrealized gain (loss) on investments *(Note 5)*	**249,794**	(83,536)
	230,942	(161,222)
Excess of revenue over expenses	**327,189**	3,066

The accompanying notes are an integral part of these non-consolidated financial statements

The Roman Catholic Episcopal Corporation of Yarmouth
Non-Consolidated Statement of Changes in Net Assets (Deficit)
For the year ended December 31, 2019
(Unaudited)

	2019	*2018*
Deficit, beginning of year	**(176,844)**	(179,910)
Excess of revenue over expenses	**327,189**	3,066
Net assets (deficit), end of year	**150,345**	(176,844)

The accompanying notes are an integral part of these non-consolidated financial statements

The Roman Catholic Episcopal Corporation of Yarmouth
Non-Consolidated Statement of Cash Flows
For the year ended December 31, 2019
(Unaudited)

	2019	2018
Cash provided by (used for) the following activities		
Operating		
Excess of revenue over expenses	**327,189**	3,066
Unrealized (gain) loss on investments	**(249,794)**	83,536
Realized gain on investments	**(62,671)**	(4,267)
	14,724	82,335
Changes in working capital accounts		
Accounts receivable	**11,959**	1,134
Prepaid expenses and deposits	**(4,567)**	-
Accounts payable and accruals	**231,261**	(4,615)
Special purpose funds	**944**	(4,286)
	254,321	74,568
Financing		
Repayment of demand loan	**(50,000)**	(120,000)
Proceeds of parish funds on deposit	**45,606**	33,078
Repayment of advances	**(30,585)**	-
Repayment of other long-term liabilities	**(1,324)**	-
	(36,303)	(86,922)
Investing		
Investments, net	**(48,315)**	(8,024)
Increase in cash surrender value of life insurance	**(81)**	(47)
	(48,396)	(8,071)
Increase (decrease) in cash resources	**169,622**	(20,425)
Cash resources, beginning of year	**139,663**	160,088
Cash resources, end of year	**309,285**	139,663

The accompanying notes are an integral part of these non-consolidated financial statements

1. Incorporation and nature of the organization

The Roman Catholic Episcopal Corporation of Yarmouth was incorporated as a corporation sole under the statutes of the Province of Nova Scotia on March 31, 1849. The Corporation is a registered charity and, as a result, is exempt from income tax pursuant to paragraph 149 (1) (f) of the Income Tax Act.

The Roman Catholic Episcopal Corporation of Yarmouth (the "Corporation") is the ministerial and administrative centre for the Archdiocese of Yarmouth. Its purpose is to provide support and services to the parishes within the county of Yarmouth.

The Archdiocese of Yarmouth controls several related entities including the parishes.

These non-consolidated financial statements reflect the assets, liabilities and operations of the Corporation. The non-consolidated financial statements do not reflect the assets, liabilities, and operations of the parishes within the Archdiocese or any other related entities. The financial statements of these entities are all readily available to management.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook - Accounting, as issued by the Accounting Standards Board in Canada, and include the following significant accounting policies:

Cash and cash equivalents

Cash and cash equivalents include balances with banks and short-term investments with maturities of three months or less. Cash subject to restrictions that prevent its use for current purposes is included in restricted cash.

Revenue recognition

The Corporation 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.

Financial instruments

The Corporation recognizes its financial instruments when the Corporation becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at their fair value, including financial assets and liabilities originated and issued in a related party transaction with management. Financial assets and liabilities originated and issued in all other related party transactions are initially measured at their carrying or exchange amount in accordance with Section 3840 *Related Party Transactions* (refer to Note 9).

At initial recognition, the Corporation may irrevocably elect to subsequently measure any financial instrument at fair value. The Corporation has not made such an election during the year.

The Corporation subsequently measures investments in equity instruments quoted in an active market at fair value. Fair value is determined by published price quotations. Any gain or loss is recognized in the statement of operations. All other financial assets and liabilities are subsequently measured at amortized cost.

Transaction costs and financing fees directly attributable to the origination, acquisition, issuance or assumption of financial instruments subsequently measured at fair value are immediately recognized in the excess of revenues over expenses for the current period. Conversely, transaction costs and financing fees are added to the carrying amount for those financial instruments subsequently measured at cost or amortized cost.

Financial asset impairment:

The Corporation assesses impairment of all of its financial assets measured at cost or amortized cost. The Corporation groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group; there are numerous assets affected by the same factors; no asset is individually significant. Management considers whether the issuer is having significant financial difficulty; whether there has been a breach in contract, such as a default or delinquency in interest or principal payments in determining whether objective evidence of impairment exists. When there is an indication of impairment, the Corporation determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, the Corporation reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; the amount that could be realized by selling the assets; and the amount expected to be realized by exercising any rights to collateral held against those assets. Any impairment which is not considered temporary is included in current year excess of revenues over expenses.

The Corporation reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations in the year the reversal occurs.

Investments

Investments are accounted for at market value. The market value of the Corporation's portfolio of securities is determined based on the closing price reported on recognized securities exchanges and on over-the-counter markets. Such indicated market values do not necessarily represent the realizable value of the total holding of any security, which may be more or less than that indicated by market quotations. Investment transactions are accounted for on the trade date and realized gains and losses from such transactions are calculated on the average cost basis.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

By their nature, these judgments are subject to measurement uncertainty, and the effect on the financial statements of changes in such estimates and assumptions in future years could be material. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in excess of revenues over expenses in the year in which they become known.

Contributed materials

Contributions of materials and services are recognized both as contributions and expenses in the statement of operations when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Corporation's operations and would otherwise have been purchased.

3. Accounts receivable

	2019	*2018*
Receivable from parishes	**67,713**	22,382
Other receivables	**1,360**	49,139
HST receivable	**-**	9,511
Receivable from Church Point	**89,502**	87,425
Allowance for doubtful accounts	**(89,502)**	(87,425)
	69,073	81,032

4. Investments

	2019	2018
Measured at fair value:		
Nesbitt Burns - cemetery #1	**841,178**	673,495
Nesbitt Burns - cemetery #2	**604,891**	528,515
Nesbitt Burns - vocation and parish	**1,408,255**	1,291,534
	2,854,324	2,493,544
Less: current portion	**353,961**	240,678
	2,500,363	2,252,866

Current portion of investments consist of cash and short term investments maturing within one year. It is management's intention to reinvest short term investments upon maturity.

5. Investment income

	2019	2018
Revenues		
Dividends	**72,731**	63,792
Interest	**9,163**	3,018
	81,894	66,810
Gains (losses)		
Realized gain on investments	**62,671**	4,267
Unrealized gain (loss) on investments	**249,794**	(83,536)
	312,465	(79,269)
Expenditures		
Management fees	**(17,794)**	(17,948)
	376,565	(30,407)

Average funds invested during fiscal year 2019 were $2,673,933 (2018 - $2,531,666), resulting in a return on investment of 14.08% (2018 - (1.20%)).

6. Demand loan

Bank indebtedness includes an operating loan amounting to $500,000 (2018 - $500,000) of which $310,000 (2018 - $360,000) was drawn down. The operating loan bears interest at prime plus 0.50% (2018 – prime plus 0.50%). Assets pledged as collateral are Nesbitt Burns cemetery investments, with a market value of $1,446,069 (2018 – $1,202,010).

7. Accounts payable and other accruals

	2019	2018
Accounts payable and accruals	**253,591**	37,934
HST payable	**15,604**	-
	269,195	37,934

Included in accounts payable and accruals are payables to parishes of $141,039, payable to the Roman Catholic Episcopal Corporation of Halifax of $65,394 and general payables of $47,154.

8. Parish funds on deposit and other long-term liabilities

	2019	*2018*
Parish funds on deposit	**2,490,463**	2,444,857
Self insurance fund	**4,769**	6,093
	2,495,232	2,450,950
Less: current portion	**59,807**	147,224
	2,435,425	2,303,726

These deposits bear interest at prime less 1.5% and have no specified repayment terms. The Corporation usually has advance warning of any upcoming repayments to be requested on these loans. Amounts requested and not yet paid have been classified as current payables. The remaining balances have been classified as long-term.

9. Related party transactions

In the normal course of its operations, the Corporation enters into transactions with its controlled entities. In addition to transactions disclosed elsewhere in these non-consolidated financial statements, certain controlled entities also participate with the Corporation in group health and insurance plans with nominal amounts being paid to the Corporation for participation. These transactions are in the normal course of operations and have been recorded at their exchange amounts.

The Corporation paid management fees of $12,000 (2018 - $12,000) to a related party for administrative and accounting services, $94,213 (2018 - $1,280) for legal fees and $15,654 (2018 - $13,704) for Council of Catholic Bishops' Assessment.

10. Financial instruments

The Corporation, as part of its operations, carries a number of financial instruments. It is management's opinion that the Corporation is not exposed to significant interest, currency, credit, liquidity or other price risks arising from these financial instruments except as otherwise disclosed.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 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 Corporation is exposed to interest rate risk on its floating interest rate financial instruments, which subjects it to a cash flow risk. Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Corporation is subject to market risk, currency risk, interest rate and other price risk with respect to its investment portfolio. To manage these risks, the Corporation has established a target mix of investment types designed to achieve the optimal return within reasonable risk tolerances. In addition these risks are mitigated through the use of professional investment managers.

Credit concentration

Financial instruments that potentially subject the Corporation to concentrations of credit risk consist primarily of balances held with banks.

11. Contingent liabilities

The Corporation has been named in a number of claims as one of the parties responsible in regards to alleged mistreatment of individuals. No amount has been accrued in these non-consolidated financial statements in respect of these claims.

Also, the Corporation has been named in a class action claim. The number of claimants are unknown and no amount has been claimed. No amount has been accrued in these non-consolidated financial statements in respect of this claim..

12. Subsequent event

Impact of COVID-19
On March 11, 2020 the World Health Organization declared the outbreak of the coronavirus ("COVID-19") as a pandemic, which continues to spread throughout Canada. On March 22, 2020, the province of Nova Scotia declared a public state of emergency and issued an order to close all non-essential businesses. This state of emergency has caused a disruption to the normal operations at the Roman Catholic Episcopal Corporation (the "Corporation"). In response, the Corporation moved all daily masses to on-line and implemented remote working arrangements for all employees. The Corporation expects this pandemic to impact its results of operations, cash flows, and financial position in the coming months.

While the duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions, the Corportation expects the impacts to its operations to include reduced parish assessments and donation revenue, workforce adjustments, postponement and.or cancellation of planned future events, and fluctuations in the valuation of its investment portfolio. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Corporation in future periods.

Government assistance related to COVID-19
Subsequent to year-end, the Corporation applied to received the Canada Emergency Wage Subsidy (CEWS) for its employees for the period covering March 15, 2020 to June 6, 2020 in the amount of $83,354.

13. Comparative figures

Certain comparative figures have been reclassified to conform with current year presentation.