

**THE ROMAN CATHOLIC ARCHBISHOP  
OF VANCOUVER – CHANCERY DIVISION**

**Financial Statements  
December 31, 2012 and 2011**

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**INDEPENDENT AUDITORS' REPORT**

**TO THE MOST REVEREND J. MICHAEL MILLER, CSB  
ARCHBISHOP OF VANCOUVER**

We have audited the accompanying financial statements of the Chancery Division of The Roman Catholic Archbishop of Vancouver, which comprise the statements of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011, and the statements of operations, changes in unrestricted net assets and cash flows for the years ended December 31, 2012 and December 31, 2011, 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.

*Auditors' 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 auditors' 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 entity'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 entity'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 Chancery Division derives revenue from donations and other unreceiptable activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Chancery operations and we were unable to determine whether any adjustments might be necessary to revenues, current assets and net assets.

As explained in notes 2(c), 6(a) and 6(b), properties are not capitalized and amortized and sales from properties sold are not recognized when received in accordance with Canadian accounting standards for not-for-profit organizations. It is not practicable to quantify the financial effects.

*Qualified Opinion*

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* paragraph, the financial statements present fairly, in all material respects, the financial position of the Chancery Division of The Roman Catholic Archbishop of Vancouver as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Smythe Ratcliffe LLP

Chartered Accountants

Vancouver, British Columbia

May 10, 2013

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Statement of Financial Position**

	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>			
<b>Current</b>			
Cash	\$ 2,073,354	\$ 2,735,275	\$ 1,731,665
Amounts receivable	2,074,945	1,522,537	1,182,171
Loans receivable from parishes (note 4)	257,844	1,276,072	1,760,236
	4,406,143	5,533,884	4,674,072
<b>Investments (notes 5(a) and (b))</b>			
Unrestricted	3,420,838	2,525,757	13,894,911
Restricted	90,531,721	85,710,173	82,261,321
Pledged collateral (note 9)	30,320,624	26,568,980	18,054,980
	124,273,183	114,804,910	114,211,212
<b>Loans Receivable (note 4)</b>	4,836,251	5,121,743	5,165,787
<b>Mortgage Receivable (note 6(b))</b>	135,000	135,000	0
<b>Investment in Land (note 6(b))</b>	357,000	357,000	0
<b>Properties, net (notes 2(c) and 6(a))</b>	0	500,000	1,000,000
	5,328,251	6,113,743	6,165,787
	\$ 134,007,577	\$ 126,452,537	\$ 125,051,071
<b>Liabilities</b>			
<b>Current</b>			
Accounts payable	\$ 738,357	\$ 400,625	\$ 503,785
Collections payable	1,505,269	1,311,300	1,256,170
Parish Project Advance rebates payable (note 14)	957,865	954,905	931,039
Current portion of loan payable – Parish (notes 2(c) and 6))	0	500,000	500,000
	3,201,491	3,166,830	3,190,994
<b>Deposits from Parishes and Agencies (note 5)</b>	83,816,183	78,637,819	76,707,470
<b>Deferred Revenue (notes 2(c) and 6(b))</b>	357,000	357,000	0
<b>Loan Payable – Parish (notes 2(c) and 6(a))</b>	0	0	500,000
	87,374,674	82,161,649	80,398,464
<b>Net Assets</b>			
Unrestricted Net Assets	19,367,827	17,193,122	20,446,157
Net Assets Internally Restricted for Specific Programs (schedule 1)	20,549,538	20,025,412	18,652,601
Net Assets Externally Restricted (schedule 2)	6,715,538	7,072,354	5,553,849
	46,632,903	44,290,888	44,652,607
	\$ 134,007,577	\$ 126,452,537	\$ 125,051,071

Commitments and Contingencies (notes 10 and 15)

Approved by the Roman Catholic Archbishop of Vancouver:

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**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Statement of Operations**  
**Year Ended December 31**

	2012	2011
<b>Revenues</b>		
Diocesan assessments	\$ 3,725,959	\$ 3,609,076
Project Advance	950,000	950,000
	4,675,959	4,559,076
<b>Expenditures</b>		
Archdiocesan Curia operating expenses (schedule 3)	4,962,084	4,547,799
Archdiocesan Curia grants (schedule 4)	823,744	452,550
	5,785,828	5,000,349
<b>Deficiency Before Other Items</b>	<b>(1,109,869)</b>	<b>(441,273)</b>
<b>Other Expenditures</b>		
Seismic study	291,354	0
Clergy care	159,201	207,274
Consulting and audit	74,147	70,444
Legal costs	34,202	41,275
	(558,904)	(318,993)
<b>Other Revenues</b>		
Legacies, bequests and donations (note 7)	2,345,253	2,164,754
Investment income, net (note 5(c))	466,074	581,589
Unrealized capital gain	299,406	7,903
	3,110,733	2,754,246
Reallocation of donation receipts (note 13)	(1,871,581)	(2,006,317)
	1,239,152	747,929
<b>Deficiency Before Property Transactions</b>	<b>(429,621)</b>	<b>(12,337)</b>
<b>Property Transactions</b>		
Revenues (expenditures)		
Net property transactions and secondary school construction costs (schedule 5)	1,669,705	(3,671,331)
General property carrying costs, net (note 6)	(133,148)	(220,247)
Site Investigation	(164,343)	0
	1,372,214	(3,891,578)
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>\$ 942,593</b>	<b>\$ (3,903,915)</b>

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Statement of Changes in Unrestricted Net Assets**  
**Year Ended December 31**

	2012			2011	
	Unrestricted	Sites Fund (schedule 5)	Secondary School Construction Fund (schedule 5)	Total	Total
Balance, Beginning of Year	\$ 27,714,266	\$ (2,075,089)	\$ (8,446,055)	\$ 17,193,122	\$ 20,446,157
Excess (Deficiency) of Revenues over Expenditures	(727,112)	1,325,698	344,007	942,593	(3,903,915)
Transfers from Internally Restricted Funds (schedule 1)	1,232,112	0	0	1,232,112	650,880
<b>Balance, End of Year</b>	<b>\$ 28,219,266</b>	<b>\$ (749,391)</b>	<b>\$ (8,102,048)</b>	<b>\$ 19,367,827</b>	<b>\$ 17,193,122</b>

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Statement of Cash Flows**  
**Year Ended December 31**

	2012	2011
<b>Operating Activities</b>		
Deficiency before property transactions	\$ (429,621)	\$ (12,337)
Item not involving cash		
Unrealized gain on investments	(299,406)	(7,903)
	(729,027)	(20,240)
Changes in non-cash working capital		
Amounts receivable	(552,408)	(340,366)
Loans receivable – current	1,018,228	484,164
Loans receivable – long-term	285,492	44,044
Interest accrued on investments	(1,995,557)	(2,371,742)
Mortgage receivable	0	(135,000)
Investment in land	0	(357,000)
Accounts payable	337,732	(103,160)
Collections payable	193,969	55,130
Parish Project Advance rebates payable	2,960	23,866
Deposits from Parishes and Agencies	5,178,364	1,930,349
Deferred revenue	0	357,000
Internally restricted, net (schedule 1)	1,756,238	2,158,693
Externally restricted, net (schedule 2)	(489,192)	1,518,505
	5,735,826	3,264,483
<b>Cash Provided by Operating Activities</b>	5,006,799	3,244,243
<b>Investing Activities</b>		
Purchase of properties	(10,103,317)	(5,949,512)
Construction costs	(1,055,993)	(302,961)
Site investigation costs	(164,343)	0
Proceeds from disposal of properties	11,061,391	623,528
Elementary school grant	(150,000)	(225,000)
General property carrying costs, net	(133,148)	(220,247)
Property financed through loan	500,000	500,000
Interest received on investments	3,138,068	3,550,212
Investments purchased	(61,430,150)	(52,937,749)
Investments redeemed	51,118,772	51,171,096
<b>Cash Used in Investing Activities</b>	(7,218,720)	(3,790,633)
<b>Financing Activities</b>		
Financing for properties acquisitions	650,000	650,000
Financing for school construction	1,400,000	1,400,000
Loan payment – Parish	(500,000)	(500,000)
<b>Cash Provided by Financing Activities</b>	1,550,000	1,550,000
<b>Inflow (Outflow) of Cash</b>	(661,921)	1,003,610
<b>Cash, Beginning of Year</b>	2,735,275	1,731,665
<b>Cash, End of Year</b>	\$ 2,073,354	\$ 2,735,275

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
Notes to Financial Statements  
Year Ended December 31, 2012

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**1. NATURE OF OPERATIONS**

The Roman Catholic Archbishop of Vancouver, a Corporate Sole, was incorporated by a special act of the BC Legislature on March 12, 1909 and amended on December 9, 1938 (the "Archdiocese"). The Archdiocese of Vancouver operates in the geographical area known as the Lower Mainland.

The Corporate Sole is a civil law statute for the holding and administering of real and personal property pertaining to the Archdiocese, including its parishes and in accordance with its fiduciary obligations arising out of Canon Law.

The Archdiocesan accounts are maintained at the Chancery Office. This office directs all the non-parish administrative activities of the Archdiocese under the guidance and direction of the Archbishop of Vancouver. The Chancery Division is one such operation.

The Archdiocese is registered as a charitable organization under the *Income Tax Act* (Canada) and, as such, is exempt from income taxes and issues charitable donation receipts for income tax purposes.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Archdiocese were prepared in accordance with Canadian generally accepted accounting principles using Canadian accounting standards for not-for-profit organizations ("ASNPO") and include the following significant accounting policies.

(a) Basis of presentation

The statement of financial position and statement of operations reflect only the Chancery Division activities of The Roman Catholic Archbishop of Vancouver, the Corporate Sole. These financial statements exclude the divisional accounts and activities of the following:

- The Catholic Independent Schools of the Vancouver Archdiocese
- Gardens of Gethsemani – the Archdiocesan cemetery operations
- Saint Joseph's Society
- Archdiocesan services and societies that receive pastoral grants. These include:
  - B.C. Catholic Newspaper
  - Catholic Family Services
  - Catholic Charities
  - Rosemary Heights Retreat Centre.

These financial statements do not consolidate the accounts of the 76 parishes within the Archdiocese (see note 14), which are related by the common control of the Roman Catholic Archbishop of Vancouver.

(b) Revenue recognition

The Chancery Division follows the restricted method of accounting for contributions. Restricted contributions are recognized as revenue in the year the contribution is received. 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.



**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
Notes to Financial Statements  
Year Ended December 31, 2012

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(b) Revenue recognition (Continued)

Diocesan assessments are comprised of parish assessments and assessment on the normal operations of the Catholic Cemeteries of the Archdiocese of Vancouver (the "Catholic Cemeteries"). Parish assessments are based on 13.8% (2011 - 13.8%) of the parishes reported income of normal Sunday collections from the previous year. The assessment to normal operations of the Catholic Cemeteries are based on 10% (2011 - 10%) of gross revenues from the previous year.

These financial statements do not report as revenue funds collected on behalf of parishes that are subsequently disbursed to various intended recipients for which the collections are made.

(c) Properties

Properties, furniture and equipment are not capitalized or amortized in accordance with Canadian ASNPO. All expenditures for purchases and carrying costs of property assets less any rentals or sale proceeds are charged to operations as current year costs, except for financed acquisitions.

The amounts not capitalized and the amounts charged to operations as amortization to date are detailed in note 6(a). Current year amortization has not been included in these financial statements as it has been determined that it is not practical to calculate the amount.

The Archdiocese holds an equitable interest in land resulting from a sale in the previous year. Certain of the proceeds from the sale of land have not been recognized in accordance with Canadian ASNPO. The amounts receivable relating to the equitable interest in land have been deferred and will be recognized when they are received as detailed in note 6(b).

In addition, properties have not been presented in accordance with Canadian ASNPO, as they have not been separated between land and building.

(d) Interest income

Interest income on all investments is recorded on an accrual basis. Accrued interest is included in the cost of the investments.

Interest is credited to the Specific Programs funds twice a year and recognized as revenue.

Interest income earned on behalf of the parishes' investments are paid out twice a year and netted against interest income.

(e) Financial instruments

The Archdiocese initially measures its financial assets and liabilities at fair value, except for certain non-arm's length transactions. The Archdiocese subsequently measures all its financial assets and financial liabilities at amortized cost, except for any investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in excess of revenues over expenditures.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

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**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

(e) Financial instruments (Continued)

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of any write-down would be recognized in excess of revenues over expenditures. In the event a previously recognized impairment loss should be reversed, the amount of the reversal is recognized in excess of revenues over expenditures provided it is not greater than the original amount prior to write-down.

For any financial instrument that is measured at amortized cost, the instrument's cost is adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption. These transaction costs are amortized into income on a straight-line basis over the term of the instrument. All other transaction costs are recognized in excess (deficiency) of revenues over expenditures in the period incurred.

(f) Use of estimates

The preparation of the Chancery Division's financial statements in conformity with Canadian ASNPO may require 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 expenditures during the reporting period. Significant areas requiring the use of estimates relate to the accrual of receivables and payables, and the collectability of loans receivable and mortgage receivable. Management believes these estimates are reasonable; however, actual results could differ from those estimates and could impact future results of operations and cash flows.

**3. FIRST-TIME ADOPTION OF ASNPO**

Effective January 1, 2012, the Archdiocese adopted the standards in Part III of the Canadian Institute of Chartered Accountants' ("CICA") Handbook: Canadian Accounting Standards for Not-for-Profit Organizations. These financial statements are the first financial statements for which the Archdiocese has applied ASNPO. The financial statements for the year ended December 31, 2012 were prepared in accordance with the accounting principles and provisions set out in *First-time Adoption by Not-for-Profit Organizations*, Section 1501, for first-time adopters of this basis of accounting. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and limited retrospective exceptions. Previously, the Archdiocese prepared its financial statements in accordance with the standards of the CICA Handbook – Accounting. The adoption of ASNPO did not result in any adjustments to previously reported assets, liabilities, net assets, excess of revenues over expenditures or cashflows of the Archdiocese.

The Archdiocese has elected not to use any exceptions and exemptions on the initial application of ASNPO.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
Notes to Financial Statements  
Year Ended December 31, 2012

**4. LOANS RECEIVABLE**

	2012	2011	As at January 1, 2011
Loans receivable – parishes	\$ 4,278,436	\$ 5,626,072	\$ 6,126,902
Less: Current portion	257,844	1,276,072	1,760,236
	4,020,592	4,350,000	4,366,666
Loans receivable – other	815,659	771,743	799,121
	\$ 4,836,251	\$ 5,121,743	\$ 5,165,787

Loans receivable from parishes bear interest at the bank prime rate up to 4%, with no fixed repayment terms.

The current portion is based on the expected repayment over the next year and bears interest at the parish deposit rates of 3.36% and 3.70% (December 31, 2011 - 3.79% and 4.04%; January 1, 2011 - 3.76% and 3.82%).

Other loans receivable from agencies also bear interest at the bank prime rate with no fixed repayment terms.

**5. INVESTMENTS**

*Unrestricted*

These investments are for the general operations of the Archdiocese.

*Restricted*

These investments have been set aside to fully collateralize the deposits received from parishes and agencies and net assets that are externally restricted.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**5. INVESTMENTS (Continued)**

(a) Investments are classified as follows:

	2012	2011	As at January 1, 2011
Held for trading, at fair value			
Unrestricted	\$ 312,147	\$ 484,867	\$ 0
Restricted	8,260,907	0	0
Held to maturity, at amortized cost			
Restricted (market value December 31, 2012 - \$83,279,305; December 31, 2011 - \$87,695,700; January 1, 2011 - \$83,778,740)	82,270,815	85,239,185	82,261,321
Unrestricted (market value December 31, 2012 - \$3,146,797; December 31, 2011 - \$3,199,754; January 1, 2011 - \$14,484,269)	3,108,690	2,511,878	13,894,911
Pledged collateral (market value December 31, 2012 - \$30,320,624; December 31, 2011 - \$26,568,980; January 1, 2011 - \$18,054,980)	30,320,624	26,568,980	18,054,980
	<u>\$ 124,273,183</u>	<u>\$ 114,804,910</u>	<u>\$ 114,211,212</u>

(b) Investments are represented as follows:

	2012	2011	As at January 1, 2011
Accrued interest	\$ 3,685,317	\$ 4,827,827	\$ 6,006,297
Held for trading, at fair value			
Mutual funds	6,603,976	304,715	0
Common shares	1,676,187	180,152	0
Foreign securities	292,891	0	0
	<u>8,573,054</u>	<u>484,867</u>	<u>0</u>
Held to maturity, at amortized cost			
Government and government-backed securities and bankers acceptance notes	78,838,381	83,073,236	90,299,935
Fixed income investments	30,170,624	26,418,980	17,904,980
Guaranteed investment certificates	3,005,807	0	0
	<u>112,014,812</u>	<u>109,492,216</u>	<u>108,204,915</u>
	<u>\$ 124,273,183</u>	<u>\$ 114,804,910</u>	<u>\$ 114,211,212</u>

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**5. INVESTMENTS (Continued)**

(b) Investments are represented as follows (Continued):

Government and government-backed securities and bankers acceptance notes bear fixed interest yields ranging from 1.40% to 5.45% (December 31, 2011 - 1.20% to 6.79%; January 1, 2011 - 1.25% to 5.75%).

Included in fixed income investments are a banker's collateral account bearing interest at the bank prime rate (December 31, 2011 - bank prime rate; January 1, 2011 - bank prime rate).

Guaranteed investment certificates bear interest at the bank prime rate minus 1.65%.

(c) Investment income is comprised of:

	2012	2011
Interest	\$ 391,293	\$ 507,370
Other	74,781	74,219
	\$ 466,074	\$ 581,589

**6. PROPERTIES**

(a) This represents the net cost of properties (land and improvements), which are presently owned and are being held for future sites, both parishes and schools, or other needs of the Archdiocese.

During the year, the final payment of \$500,000 was made relating to the financed acquisition of a property. This property has been fully amortized on a straight-line basis over the term of the financing.

	2012			2011	As at January 1, 2011
	Cost	Accumulated Amortization	Net	Net	Net
Properties held for parishes/schools future use	\$ 30,315,618	\$ 30,315,618	\$ 0	\$ 500,000	\$ 1,000,000

Other net costs capitalized to properties have been charged to operations in general property carrying costs.

Certain properties have been recorded at a nominal value of \$1.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
Notes to Financial Statements  
Year Ended December 31, 2012

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**6. PROPERTIES (Continued)**

(a) (Continued)

The Archdiocese holds an equitable interest in land resulting from the sale of a property (Pacific Redeemer College) for \$742,000 consisting of:

- (i) \$250,000 in cash proceeds received during 2011;
- (ii) \$135,000 in mortgage receivable, repayable over ten years without stated terms of repayment or interest, secured against the title of the property; and
- (iii) \$357,000 equitable interest on the land. This equitable interest will be determined at the time of subsequent disposition by the purchaser based on the appraised fair market value, as determined by an independent accredited appraiser, on the property less the selling price at that time. In addition, the Archdiocese will reserve the right of first refusal to purchase the property back at the fair market value less the Archdiocese's equitable interest in the property. The purchaser may, at any time, pay out the Archdiocese's equitable interest.

(b) On November 24, 2011, the Archdiocese entered into a Purchase and Sale Agreement (the "Agreement") for the sale of certain land and building. Under the terms of the Agreement, the Archdiocese will receive proceeds of \$21,500,000 in three tranches, as follows:

- (i) \$3,000,000 within 48 hours of written notice confirming that the Archdiocese has received approval from the Holy See. The written notice and these proceeds were received during the year;
- (ii) \$2,000,000 within six months following the execution of the Agreement. These proceeds were received during the year; and
- (iii) \$16,500,000 on March 31, 2014, the closing date.

**7. LEGACIES, BEQUESTS AND DONATIONS**

All legacies, bequests and donations are included as revenue when received. Those gifts that have designated terms and conditions are set aside for those designated purposes and transferred to the externally restricted fund or internally restricted specific program fund.

**8. CONTINGENT ASSETS**

The Archdiocese has been designated owner/beneficiary of one unfunded term life insurance policy. The proceeds will be receivable on the death of the insured. The unfunded policy requires the donor to keep the policy in good standing. A receipt has been issued for the one 2011 premium paid by the insurer.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**9. GUARANTEES**

The Archdiocese is the guarantor to its bankers for:

	2012	2011	As at January 1, 2011
Parish bank loans	\$ 30,320,043	\$ 26,565,408	\$ 18,054,158
Letters of credit issued	1,297,094	1,175,551	1,053,175
	31,617,137	27,740,959	19,107,333
Pledged collateral security	(30,320,624)	(26,568,980)	(18,054,980)
	\$ 1,296,513	\$ 1,171,979	\$ 1,052,353

As per the Archdiocese's agreement with a certain bank, the parish bank loans cannot exceed \$40 million at any point during the year.

Pledged collateral security consists of cash held by the Archdiocese at a major Canadian financial institution.

**10. COMMITMENTS**

(a) The Archdiocese, as at December 31, 2012, had granted approval in principle for the construction of parish churches, parish centres and schools in the amount of \$59,538,087 (December 31, 2011 - \$50,850,000; January 1, 2011 - \$33,672,000), of which \$47,030,000 (December 31, 2011 - \$30,400,000; January 1, 2011 - \$13,072,000) is the balance remaining to complete the projects.

(b) The Archdiocese is committed to funding the operations and theological education at two Catholic colleges, aggregating \$1,500,000, expiring in 2016. Commitments in each of the next four years are as follows:

2013	\$ 400,000
2014	400,000
2015	400,000
2016	300,000
	\$ 1,500,000

(c) The Archdiocese is committed to payments of \$500,000 plus interest accrued to date on the amount of the balance outstanding relating to the purchase of the Youville Residence property on each of October 31, 2013 and October 31, 2014.

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Archdiocese manages its investments in accordance with defined guidelines as to acceptable debt instruments and acceptable terms and conditions. Management is responsible for monitoring performance and recommending changes. The College of Consultors and Archdiocesan Finance Council are responsible for the governance and strategic direction of the investment portfolio.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
Notes to Financial Statements  
Year Ended December 31, 2012

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**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

(a) Fair value

The carrying values of cash, amounts receivable, loans receivable, accounts payable, collections payable, Parish Project Advance rebates payable, loans payable, and deposits from parishes and agencies approximate their fair values due to the short-term maturity of these financial instruments.

The fair value of investments is as disclosed in note 5 to the financial statements.

(b) Market risk

The Archdiocese is exposed to market risk, which is the risk the fair value of its fixed income investments will fluctuate in the future due to price changes. All investments are exposed to economic changes and other fluctuations in domestic markets as well as risks specific to issuers that may affect the market value of their securities.

(c) Credit risk

Credit risk related to financial instruments arises from the possibility the counterparty to an instrument may fail to discharge its obligation to the Archdiocese. The Archdiocese's investments are subject to credit risk and the maximum exposure to credit risk on these instruments is their carrying value. The Archdiocese manages this risk by establishing rules to ensure that the credit rating from a recognized credit ratings agency do not fall below a threshold acceptable and approved by the Archdiocese. The Archdiocese does not anticipate that any counterparties will fail to meet their obligations.

(d) Interest rate risk

Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in market interest rates. The Archdiocese investment portfolio is exposed to interest rate risk through its fixed income instruments. Investments are made with different maturity terms ranging from 30 days to 10 years to level out the changes of the market rates. The effective interest rates for 2012 were 3.36% and 3.70% (2011 - 3.79% and 4.04%).

(e) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. As at December 31, 2012, the Archdiocese holds US investments of \$292,891 (December 31, 2011 - \$12,408; January 1, 2011 - \$nil) at their Canadian dollar equivalent.

(f) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to 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 Archdiocese is subject to other price risk through its public market investments.



**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**12. PENSION PLAN**

The Archdiocese of Vancouver contributes to a defined contribution pension plan on behalf of its current employees, excluding clergy. This plan is available to all permanent and permanent part-time employees immediately upon hiring.

The Archdiocese matches employee contributions. The employee has an option of selecting a 3% or 7% contribution of their salary. Employees are entitled to full vesting of their employee and employer contributions and investment earnings allocated after two years of membership in the plan. The 2012 employer's contributions were \$206,660 (December 31, 2011 - \$152,958; January 1, 2011 - \$152,420).

**13. REALLOCATION OF DONATION RECEIPTS**

Donation receipts recorded have been reallocated as follows:

	<b>2012</b>	<b>2011</b>
Evangelization	\$ 530,866	\$ 0
Discalced Carmelites Fund	500,000	0
Holy Rosary Hall	500,000	0
Seminary and Vocations	100,000	506,317
Clergy Care Fund	100,000	250,000
Archbishop's Discretionary Fund	60,000	150,000
Truth and Reconciliation Fund	55,715	0
Queen of Peace Monastery	25,000	0
Clergy Retirement	0	500,000
Holy Rosary Cathedral Renovations Fund	0	400,000
St. Joseph's Society	0	200,000
<b>Total amount reallocated</b>	<b>\$ 1,871,581</b>	<b>\$ 2,006,317</b>

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Notes to Financial Statements**  
**Year Ended December 31, 2012**

**14. RELATED PARTY TRANSACTIONS**

The Chancery Division had the following transactions with the 76 parishes within the Archdiocese. They are related by the common control of The Roman Catholic Archbishop of Vancouver, the Corporate Sole.

These transactions are within the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<b>2012</b>	<b>2011</b>
<b>Payments received from parishes</b>		
Project Advance collections	\$ 6,953,648	\$ 6,783,281
Diocesan assessments	3,725,959	3,609,076
Special collections	2,264,180	1,986,220
Insurance premiums assessed	1,713,766	1,660,610
Interest earned from loans	51,000	51,000
Site fund recovery	0	390,553
	<b>\$ 14,708,553</b>	<b>\$ 14,480,740</b>
<b>Payments made to parishes</b>		
Project Advance rebates	\$ 2,742,850	\$ 2,616,680
Interest paid on deposit accounts	1,616,607	1,696,478
Low-interest revolving fund interest paid	85,209	121,362
Youth ministry rebates	53,041	56,479
	<b>\$ 4,497,707</b>	<b>\$ 4,490,999</b>

In addition to the Project Advance rebates paid during the year, \$920,165 (December 31, 2011 - \$915,888; January 1, 2011 - \$895,964) were still payable as at year-end and are included in Parish Project Advance rebates payable.

**15. CONTINGENCIES**

The Archdiocese has been named as a defendant in claims seeking unspecified damages. It is not possible at this time to predict with any certainty the outcome of the claims.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER  
CHANCERY DIVISION**  
Notes to Financial Statements  
Year Ended December 31, 2012

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**16. PRIOR PERIOD ADJUSTMENTS AND COMPARATIVE FIGURES**

For the year ended December 31, 2011, it was determined that certain of the proceeds from the sale of a property, as described in note 6(b), should have been recognized.

The Archdiocese has revised its financial statements for the year ended December 31, 2011 as follows:

	Deferred Revenue	Unrestricted Net Assets
As previously reported	\$ 492,000	\$ 17,058,122
Adjustment of proceeds reclassified	(135,000)	135,000
Revised amounts	\$ 357,000	\$ 17,193,122

Certain other comparative figures have also been reclassified to conform to the current year's presentation.

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Net Assets Internally Restricted for Specific Programs**  
**Year Ended December 31**

Schedule 1

	Balance, December 31, 2011	Revenues	Expenditures	Transfers to Unrestricted Net Assets	Balance, December 31, 2012
Low-Interest Revolving Fund	\$ 7,785,924	\$ 282,124	\$ 85,209	\$ 0	\$ 7,982,839
Seminary and Vocations	2,373,779	477,745	0	418,911	2,432,613
Self-insurance	3,320,289	619,264	370,101	291,354	3,278,098
Clergy Care	2,425,805	84,592	0	159,201	2,351,196
Catholic Education 2000	1,265,182	47,420	10,000	0	1,302,602
Seniors	1,055,430	38,552	0	40,000	1,053,982
Holy Rosary Cathedral Renovations	409,457	7,762	218,148	0	199,071
Holy Rosary Cathedral Hall	0	509,525	0	0	509,525
Chapel	473,834	17,307	0	0	491,141
Evangelization	242,166	864,607	661,341	0	445,432
John Paul II Pastoral Centre	178,641	6,525	0	0	185,166
Deacon and Clergy Formation	391,377	10,500	0	222,646	179,231
Truth and Reconciliation	0	56,527	0	0	56,527
Youth Ministry	74,942	130,585	53,042	100,000	52,485
Chaplaincies	28,586	1,044	0	0	29,630
	<b>\$ 20,025,412</b>	<b>\$ 3,181,951</b>	<b>\$ 1,425,713</b>	<b>\$ 1,232,112</b>	<b>\$ 20,549,538</b>

	Balance, January 1, 2011	Revenues	Expenditures	Transfers to Unrestricted Net Assets	Balance, December 31, 2011
Low-Interest Revolving Fund	\$ 7,600,029	\$ 307,257	\$ 121,362	\$ 0	\$ 7,785,924
Self-insurance	2,814,035	699,685	193,432	0	3,320,289
Seminary and Vocations	2,138,994	537,392	0	302,607	2,373,779
Clergy Care	2,290,743	342,336	0	207,273	2,425,805
Catholic Education 2000	1,214,582	50,600	0	0	1,265,182
Seniors	1,053,751	42,679	0	41,000	1,055,430
Chapel	455,390	18,444	0	0	473,834
Holy Rosary Cathedral Renovations	125,487	409,457	125,487	0	409,457
Deacon and Clergy Formation	407,680	14,499	30,802	0	391,377
Evangelization	254,900	10,312	23,046	0	242,166
John Paul II Pastoral Centre	171,687	6,954	0	0	178,641
Youth Ministry	97,850	133,268	56,176	100,000	74,942
Chaplaincies	27,473	1,113	0	0	28,586
	<b>\$ 18,652,601</b>	<b>\$ 2,573,996</b>	<b>\$ 550,305</b>	<b>\$ 650,880</b>	<b>\$ 20,025,412</b>

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Net Assets Externally Restricted**  
**Year Ended December 31**

Schedule 2

	2012	2011
Balance, beginning of year	\$ 7,072,354	\$ 5,553,849
Revenues	722,111	2,152,791
Expenditures	(1,078,927)	(634,286)
Balance, end of year	\$ 6,715,538	\$ 7,072,354

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
**Archdiocesan Curia Operating Expenses**  
**Year Ended December 31**

Schedule 3

	2012	2011
Apostleship of the Handicapped	\$ 59,954	\$ 51,729
Apostleship of the Sea	66,127	60,827
Archdiocesan Operations	283,264	316,414
Archives	88,394	84,869
B.C. Catholic	266,878	265,340
Building Cost Recoveries	(243,577)	(192,372)
Chaplaincies	163,032	129,620
Chancery	775,744	715,281
Catechetics	295,105	454,932
Catholic Family Services	454,781	576,827
Communications	129,827	135,987
Deacon Formation	222,647	0
Development	156,047	54,053
Door is Open	0	(7,661)
Finance Office	192,498	161,325
First Nations Ministry	45,869	46,034
Faith Formation	155,295	0
Human Resources	103,049	90,063
Information Technology	207,439	177,272
Internal Audit	108,144	106,630
Matrimonial Tribunal	397,742	387,259
Office of Evangelization	106,758	110,939
Office of Service and Justice	163,597	145,572
Project Management	26,422	54,374
Rosemary Heights Retreat Centre	26,837	46,834
Seminary and Vocations	418,911	302,607
Stewardship	53,134	56,331
Youth and Young Adult	238,166	216,713
	\$ 4,962,084	\$ 4,547,799

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
 Archdiocesan Curia Grants  
 Year Ended December 31

Schedule 4

	2012	2011
St. Mark's College and Corpus Christi College	\$ 645,244	\$ 326,550
Project Advance Grants	100,000	75,000
Catholic Health Association of B.C.	42,500	40,500
Redeemer Pacific College	25,000	0
Family Planning Programs	11,000	10,500
	<b>\$ 823,744</b>	<b>\$ 452,550</b>

**THE ROMAN CATHOLIC ARCHBISHOP OF VANCOUVER**  
**CHANCERY DIVISION**  
 Property Acquisitions/Dispositions and Secondary School Construction  
 Year Ended December 31

Schedule 5

	2012			2011	
	Property Acquisitions / Dispositions	Secondary School Construction	Total	Total	Total
Acquisitions and construction	\$ 10,103,317	\$ 1,055,993	\$ 11,159,310	\$ 6,254,859	\$ 6,254,859
Elementary school grant	150,000	0	150,000	225,000	225,000
Financing from Project Advance	(650,000)	(1,400,000)	(2,050,000)	(2,050,000)	(2,050,000)
Sale of properties <sup>1</sup>	(11,061,391)	0	(11,061,391)	(758,528)	(758,528)
Allocation of proceeds from sale of Colonial Drive to Clergy Retirement Fund	132,376	0	132,376	0	0
	<b>\$ (1,325,698)</b>	<b>\$ (344,007)</b>	<b>\$ (1,669,705)</b>	<b>\$ 3,671,331</b>	<b>\$ 3,671,331</b>

Note:

<sup>1</sup> Included in sale of properties are proceeds received from the sale of 150 Robson Street, Citadel Heights (Mary Hill Property) and Colonial Drive.