

SAINT MARTIN OF TOURS FOUNDATION INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2018



MCCAY DUFF LLP

CHARTERED PROFESSIONAL ACCOUNTANTS

141 LAURIER AVE., WEST, 6TH FLOOR
OTTAWA, ON, K1P 5J3
TEL: 1 (613) 236-2367
1 (800) 267-6551
FAX: 1 (613) 236-5041
EMAIL: info@mccayduff.com
WEB: www.mccayduff.com

1.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Saint Martin of Tours Foundation Inc.

Qualified Opinion

We have audited the financial statements of Saint Martin of Tours Foundation Inc. (the "Foundation"), which comprise the statement of financial position as at December 31, 2018, and the statement of operations, statement of net assets and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to contributions revenue, net revenue (expenses), and cash flows from operations for the year ended December 31, 2018, current assets as at December 31, 2018, and net assets as at December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Foundation 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 qualified opinion.

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INDEPENDENT AUDITORS' REPORT (Cont'd.)

Other Matters

As described in note 6, no financial statements were prepared for the year ended December 31, 2017, and therefore the comparative financial information was not subject to audit.

As described in note 1, the registered charity status of the Foundation was revoked.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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.

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INDEPENDENT AUDITORS' REPORT (Cont'd.)

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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation 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.

McCay Duff LLP

McCay Duff LLP,
Licensed Public Accountants.

Ottawa, Ontario
September 18, 2019

SAINT MARTIN OF TOURS FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2018

| | ASSETS | |
|--|--------------------|---------------------------|
| | <u>2018</u> | <u>Unaudited 2017</u> |
| CURRENT | | |
| Cash | \$ 7,342 | \$ 17,134 |
| Short-term investments | 714,554 | 713,067 |
| Accounts receivable | <u>1,717</u> | <u>1,986</u> |
| | <u>\$ 723,613</u> | <u>\$ 732,187</u> |
| | LIABILITIES | |
| CURRENT | | |
| Due to Roman Catholic Military Ordinariate of Canada (note 5) | \$ 25,083 | \$ 19,617 |
| | NET ASSETS | |
| NET ASSETS | <u>698,530</u> | <u>712,570</u> |
| | <u>\$ 723,613</u> | <u>\$ 732,187</u> |

Approved on behalf of the Board:

Director

Director

SAINT MARTIN OF TOURS FOUNDATION INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>2018</u> | <u>Unaudited 2017</u> |
|-------------------------------------|-------------------|---------------------------|
| BALANCE - BEGINNING OF YEAR | \$ 712,570 | \$ 632,655 |
| Net revenue (expenses) for the year | (14,040) | 79,915 |
| BALANCE - END OF YEAR | <u>\$ 698,530</u> | <u>\$ 712,570</u> |

SAINT MARTIN OF TOURS FOUNDATION INC.

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>2018</u> | <u>Unaudited 2017</u> |
|--|----------------------------|---------------------------|
| REVENUE | | |
| Contributions of the chaplains and chapels | \$ 14,345 | \$ 13,820 |
| Transfer of vocation revenue from Roman Catholic Military Ordinariate of Canada | 2,945 | - |
| Net investment income (loss) (note 4) | <u>(18,268)</u> | <u>79,028</u> |
| | (978) | 92,848 |
| EXPENSES | | |
| Financial assistance | <u>13,062</u> | <u>12,933</u> |
| NET REVENUE (EXPENSE) FOR THE YEAR | <u><u>\$ (14,040)</u></u> | <u><u>\$ 79,915</u></u> |

SAINT MARTIN OF TOURS FOUNDATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>2018</u> | <u>Unaudited 2017</u> |
|--|-----------------|---------------------------|
| CASH PROVIDED BY (USED FOR) | | |
| OPERATING ACTIVITIES | | |
| Net revenue (expenses) for the year | \$(14,040) | \$ 79,915 |
| Changes in non-cash working capital | | |
| - accounts receivable | 269 | (514) |
| - due to related parties | <u>5,466</u> | <u>13,132</u> |
| | (8,305) | 92,533 |
| INVESTING ACTIVITIES | | |
| Change in short-term investments | (1,487) | (99,460) |
| CHANGE IN CASH POSITION DURING THE YEAR | (9,792) | (6,927) |
| Cash position - beginning of year | <u>17,134</u> | <u>24,061</u> |
| CASH POSITION - END OF YEAR | <u>\$ 7,342</u> | <u>\$ 17,134</u> |

SAINT MARTIN OF TOURS FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

1. ORGANIZATION

Saint Martin of Tours Foundation Inc. was continued without share capital under the Canada Not-for-profit Corporations Act. The purpose of the Foundation is for the support of the Roman Catholic Military Ordinariate of Canada - L'Ordinariat Militaire Catholique Romain du Canada (the "Ordinariate"), for the care, support and provision of residences for the Bishop and the incardinated chaplains of the Ordinariate, a diocese within the Roman Catholic Church, and to provide education, instruction and for the process of accepting seminarians into the Diocese and their on-going sustenance and support following ordination to the priesthood. The Foundation was previously a registered charity under the Income Tax Act of Canada. The Foundation's registered charity status was revoked on July 8, 2017 and management is currently working to restore its status.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation's significant accounting policies are as follows:

(a) Revenue Recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related restrictions are met. Restricted contributions for the purchase of capital assets are deferred and recognized as revenue at the same rate as the related capital asset is amortized. Unrestricted contributions are recognized as revenue when received or receivable, if the amount can be reasonably estimated, and collection is reasonably assured.

Interest, dividend and other revenue is recognized on the accrual basis.

(b) 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, liabilities, revenues and expenditures and disclosure of contingent assets and liabilities. These estimates are reviewed periodically and adjustments are made to net revenue (expenses) as appropriate in the year they become known.

SAINT MARTIN OF TOURS FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

(c) Foreign Currency Transactions

Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Revenue and expense items, other than amortization and future income taxes, are translated at the average rate of exchange for the year. Exchange gains and losses are reflected in net income.

(d) Financial Instruments

The Foundation's financial instruments consist of cash, short-term investments and due to Roman Catholic Military Ordinariate of Canada.

Measurement

Financial instruments are recorded at fair value on initial recognition.

The Foundation subsequently measures its financial instruments as follows:

Cash and due to Roman Catholic Military Ordinariate of Canada are subsequently measured at amortized cost.

Short-term investments are subsequently measured at fair value. Changes in fair value are recognized in net revenue (expenses) for the year

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of any write-down or subsequent recovery is recognized in net revenue (expenses) for the year

(e) Volunteer Services

The Foundation receives the services of many volunteers, the cost of which cannot be reasonably estimated. Therefore, no representation of this expenditure has been included in these financial statements.

SAINT MARTIN OF TOURS FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

3. FINANCIAL RISKS AND CONCENTRATION OF RISKS

It is management's assessment that the Foundation is not exposed to significant liquidity, interest rate, credit or currency risks arising from its financial instruments.

Market Risk

Market risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices. The Foundation is exposed to market risk on its short-term investments.

4. NET INVESTMENT INCOME

Net investment income earned by the Foundation for the year ended December 31, 2018 includes the following:

| | <u>2018</u> |
|-------------------------------|---------------------|
| Dividend income | \$ 15,530 |
| Foreign non-business tax paid | (438) |
| Interest income | 12,961 |
| Management fees paid | (7,569) |
| Realized gain | 9,565 |
| Unrealized loss | <u>(48,317)</u> |
| | <u>\$ (18,268)</u> |

5. RELATED PARTY TRANSACTIONS

The Foundation and Ordinariate are related parties on the basis of sharing a Board of Directors. During the year, the Foundation paid financial assistance to a former employee of the Ordinariate in the amount of \$12,000 (2017 - \$12,000). These transactions are in the normal course of operations and are measured at the exchange amount.

The amount due to the Ordinariate as at December 31, 2018 is \$26,033 (2017 - \$18,684), which bears no interest and has no fixed terms of repayment.

SAINT MARTIN OF TOURS FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018

6. CORRECTION OF PRIOR PERIOD ERRORS

No financial statements were prepared for the Foundation for the year ended December 31, 2017 as the financial position and results of operations of the Foundation were presented as a component of the unconsolidated Ordinarinate financial statements in error. Therefore all balances for the year ended December 31, 2017 have been restated.