# PRESBYTERIAN RECORD INC.

## RECOMMENDATIONS

There are no recommendations.

## REPORT

To the Venerable, the 142nd General Assembly:

Rapidly declining circulation, especially over the past seven years, has pushed the *Presbyterian Record* to the point where it may not be able to publish in 2017. Last year, seven congregations came off the Every Home Plan. Along with other congregations not renewing subscribers, circulation dropped 17 per cent (down approximately 2,000 subscribers).

The *Presbyterian Record*'s market is challenging.

- Membership in The Presbyterian Church in Canada has been declining for several decades. In 1989, it was about 163,000. Twenty-five years later it was 93,500. That means the denomination has been losing about 2,800 members every year for the past 25 years. Not surprisingly, over the same period, the *Record*'s circulation has fallen almost 2,100 a year.
- A high proportion of the denomination's members are on fixed incomes. Combined with declining numbers, national church revenue, in terms of *Presbyterians Sharing*, has been falling for several years.
- Canadians over 65 – the majority of our subscribers – read about half the number of magazines as those under 65.
- And those older Canadians read only three magazines a month on average.
- Additionally, print publishing in Canada and the United States is facing decline all around. Major newspapers and magazines have been folding for the past several years as advertising money goes to the web. Google, Facebook and Amazon are doing well; publishers are not.
- The country as a whole is just now climbing out of the Great Recession of 2008–2012, the worst financial crisis since the Great Depression of the 1930s.

We have responded to these changes by executing a number of high-quality marketing efforts over the past several years. Our success rates are generally at or above industry standards. Additionally, reader feedback is consistently positive.

Unfortunately, with a limited market, it is simply not possible to make up for lost circulation through marketing. For example, former readers are always the likeliest to take up a new subscription offer because they are familiar with the product. A marketing campaign to the 2,000 subscribers we lost last year would be considered highly successful if it got 10 per cent of former subscribers to subscribe again. That would be only 200. The cost would be at least $15,000.

In order to continue publishing, the magazine has to find ways to cut costs further while building a fund to help replace the lost subscription income. That is why we hired a director of development, Lisa Van Arem, last summer. We believe fundraising is the best way we can ensure the long-term publication of the magazine. Lisa has been overseeing the transition of our donor database to new software to help us look after donors better. Online donations will be easier and online income tax receipting will soon be possible.

We are also now able to offer many more ways for donors to support us and we have created easy to use web pages that provide wording for naming the *Record* in a will, for example. And we thank our donors for their unflagging generosity. Without their support, we would have already ceased to publish.

Another important source of revenue is advertising. Although the *Record* does not receive any direct financial support from the denomination, national church departments, colleges, presbyteries and congregations are our biggest advertisers, albeit at a reduced rate from non-PCC advertisers.

The magazine also benefits from below-market rent for office space at 50 Wynford Dr., paying $20,000 a year and receiving financial administration services, including payroll, that would undoubtedly cost us more if we had to pay for them out of our own pocket.

Nevertheless, the *Record* plans to move out of 50 Wynford Dr., by the fall to save money. We will negotiate with the finance department regarding their services.

We are also in discussion with various departments in the church to see if there is mutual benefit in publishing materials other than the magazine. When Presbyterian Record Inc. was formed in 2000 to publish the *Record*, the letters patent gave the corporation the ability:

(b) to publish other magazines, journals, handbooks and publications related to The Presbyterian Church in Canada;
(c) to carry on a general publishing and printing business for the religious and charitable purposes of The Presbyterian Church in Canada.

To the best of our knowledge, Presbyterian Record Inc. has not published anything on behalf of the church and possibly only one booklet from the magazine's own archives.

Our concern is that all these efforts may not change our financial situation quickly enough. We trust that commissioners will see the value in our communications ministry and that they may be able to find some way to support the work of the magazine until we can establish long-term funding through the support of our donors.

The *Presbyterian Record* is published by the Presbyterian Record Inc. The corporation is governed by a board of eight directors. As of April, 2016, the directors are: Mr. Botond Fejes, Scarborough (chair); Mr. Aubrey Bonnell, St. John's (vice-chair); Ms. Kathleen Bolton, Burnaby; the Rev. Katherine Burgess, Quebec City; the Rev. Andrew Cornell, Chatham, Ontario; Mr. Duncan Cowie, Bobcaygeon, Ontario; Ms. Brooke Klassen, Saskatoon, Saskatchewan; and the Rev. Dr. Jean Morris, Calgary, Alberta.

David Harris is publisher and secretary.

By mutual agreement of the board and the denomination, since he became chief financial officer of The Presbyterian Church in Canada, Stephen Roche has also been treasurer of Presbyterian Record Inc. We thank Steve for his support, his generous and wise advice and for the financial guidance he and his staff have provided over the years. We join with the rest of the denomination in wishing him all the best in retirement.

The Presbyterian Record staff are: David Harris, editor; Andrew Faiz, senior editor; Lisa Van Arem, director of development; Amy MacLachlan, managing editor; Connie Wardle, senior writer and online editor; Caroline Bishop, art director; Salina Vanderhorn, designer; and Deborah Leader, circulation manager.

Botond Fejes
Chair

David Harris
Publisher & Editor

## SUPPLEMENTARY REPORT

## PRESBYTERIAN RECORD INC.

## RECOMMENDATIONS

**Consent Recommendation**
There are no consent recommendations.

**Recommendation No. 1**
That the officers and committees of The Presbyterian Church in Canada be urged to assist Presbyterian Record Inc. to obtain a minimum of $50,000 funding from available funds controlled or held in trust by The Presbyterian Church in Canada, in the hope this would be matched by donors.

**Recommendation No. 2**
That the ministry of the *Presbyterian Record* be commended to the courts of the church with the request that those courts discuss the financial situation of the *Record* and seek ways to assist the *Record* financially in the coming year.

## REPORT

The *Presbyterian Record* is a magazine that has been published for members of The Presbyterian Church in Canada for 140 years and is a ministry for the whole denomination held in trust by the Board of Directors of Presbyterian Record Inc.

Successive General Assemblies have called on the church to strengthen congregational ministries. The *Presbyterian Record* provides a critical, independent voice and fosters communication and storytelling about and among Presbyterian congregations across the country.

It is a critical time in the life of the denomination that Presbyterians be served by an independent magazine to foster dialogue on important and challenging topics. However, despite due diligence, generous support from donors, careful management of resources and a restructuring of costs and revenue streams, the *Presbyterian Record* finds itself in need of immediate financial support in order to continue the work of restructuring and addressing current challenges.

Major donors to *Presbyterian Record* have indicated that they will strongly consider supporting the magazine with substantial gifts if the denomination signals its financial support for the *Record*. The board of the *Presbyterian Record* has determined that a minimum of $100,000 is required by the corporation in 2016 in order to address the fiscal challenges and stay solvent for another 12 months.

Therefore the Board of Directors of Presbyterian Record Inc. presents the following recommendation:

> **Recommendation No. 1** **Adopted/Defeated/Amended**
> That the officers and committees of The Presbyterian Church in Canada be urged to assist Presbyterian Record Inc. to obtain a minimum of $50,000 funding from available funds controlled or held in trust by The Presbyterian Church in Canada, in the hope this would be matched by donors.
>
> **Recommendation No. 2** **Adopted/Defeated/Amended**
> That the ministry of the *Presbyterian Record* be commended to the courts of the church with the request that those courts discuss the financial situation of the *Record* and seek ways to assist the *Record* financially in the coming year.

Botond Fejes
Chair

David Harris
Publisher & Editor

# Presbyterian Record Inc.

Financial Statements
**December 31, 2015**

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April 12, 2016

## Independent Auditor's Report

**To the Directors of**
**Presbyterian Record Inc.**

We have audited the accompanying financial statements of Presbyterian Record Inc., which comprise the statement of financial position as at December 31, 2015 and the statements of revenues, expenditures and surplus and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 audit opinion.

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**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Presbyterian Record Inc. as at December 31, 2015 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.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

# Presbyterian Record Inc.

Statement of Financial Position

**As at December 31, 2015**

| | 2015 $ | 2014 $ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 78,913 | 154,058 |
| Accounts receivable | 52,591 | 44,348 |
| Other assets | 39,471 | 44,025 |
| | 170,975 | 242,431 |
| **Investments** | 610,446 | 668,857 |
| **Capital assets** (note 3) | 3,349 | 7,800 |
| | 784,770 | 919,088 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 4) | 85,311 | 69,558 |
| Subscriptions paid in advance | 171,902 | 180,548 |
| | 257,213 | 250,106 |
| **Surplus** | 527,557 | 668,982 |
| | 784,770 | 919,088 |

**Approved by the Board of Directors**

_________________________ Director

_________________________ Director

# Presbyterian Record Inc.

Statement of Revenues, Expenditures and Surplus

**For the year ended December 31, 2015**

| | 2015 $ | 2014 $ |
|---|---|---|
| **Revenues** | | |
| Subscription | 302,671 | 344,522 |
| Advertising | 131,110 | 142,871 |
| Canadian Periodicals Fund | 133,772 | 133,801 |
| Fundraising | 149,561 | 152,687 |
| Interest income | 42,696 | 78,888 |
| Miscellaneous | 8,749 | 783 |
| | 768,559 | 853,552 |
| **Expenditures** | | |
| Production | | |
| Postage - magazine | 90,678 | 81,388 |
| Printing and engraving | 78,110 | 83,799 |
| Advertising and promotion | 31,967 | 33,703 |
| Marketing | 6,075 | 10,558 |
| Editorial material | 17,170 | 16,969 |
| Promotion - fundraising | 30,474 | 17,867 |
| Photograph material | 10,350 | 15,022 |
| | 264,824 | 259,306 |
| Operating | | |
| Salaries and benefits | 498,232 | 471,699 |
| Office and general | 51,954 | 58,004 |
| Travel - committee and staff | 18,269 | 11,614 |
| Office rent | 20,140 | 19,940 |
| Professional fees | 15,695 | 7,006 |
| Amortization of capital assets | 4,451 | 5,195 |
| Postage | 12,915 | 7,924 |
| Stationery and photocopies | 1,604 | - |
| Consulting | 21,900 | 6,168 |
| | 645,160 | 587,550 |
| | 909,984 | 846,856 |
| **(Deficiency) excess of revenues over expenditures for the year** | (141,425) | 6,696 |
| **Surplus - Beginning of year** | 668,982 | 662,286 |
| **Surplus - End of year** | 527,557 | 668,982 |

# Presbyterian Record Inc.

Statement of Cash Flows

**For the year ended December 31, 2015**

| | 2015 $ | 2014 $ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| (Deficiency) excess of revenues over expenditures for the year | (141,425) | 6,696 |
| Item not affecting cash | | |
| Amortization of capital assets | 4,451 | 5,195 |
| Changes in non-cash working capital balances | | |
| Accounts receivable | (8,243) | 32,909 |
| Other assets | 4,554 | 1,986 |
| Accounts payable and accrued liabilities | 15,753 | 3,679 |
| Subscriptions paid in advance | (8,646) | (12,540) |
| | (133,556) | 37,925 |
| **Investing activities** | | |
| Change in investments | 58,411 | 72,329 |
| Additions to capital assets | - | (3,982) |
| | 58,411 | 68,347 |
| **Change in cash during the year** | (75,145) | 106,272 |
| **Cash - Beginning of year** | 154,058 | 47,786 |
| **Cash - End of year** | 78,913 | 154,058 |

# Presbyterian Record Inc.

Notes to Financial Statements

**December 31, 2015**

## 1 Nature of operations

Presbyterian Record Inc. (the Record) is a not-for-profit corporation. The Record was incorporated without share capital under the Canada Corporations Act on December 29, 1999 by the General Assembly of The Presbyterian Church in Canada (PCIC) to produce The Record Magazine.

## 2 Summary of significant accounting policies

### Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), as issued by the Canadian Accounting Standards Board.

### Revenue recognition

Subscription revenues are recognized as revenue in the year to which the subscription relates. Subscriptions paid in advance are recorded as deferred revenue.

Advertising revenues are recognized as revenue when the corresponding issue of the magazine is published. Investment income is recorded as revenue on an accrual basis. All other revenue is recognized as revenue on receipt.

### Investments

Investments are held with PCIC in the consolidated portfolio of stocks and bonds managed by independent investment managers in accordance with a stated investment policy and are valued at fair value.

Interest earned or accrued is included in interest income. Gains and losses realized on disposal are included in investment income and unrealized gains and losses from changes in fair value are included in net change in unrealized fair value of investments.

### Capital assets

Capital assets comprise computer hardware and software and furniture and fixtures. They are recorded at cost and are amortized on a straight-line basis over their useful lives of five years.

### Use of estimates

The preparation of financial statements in accordance with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

# Presbyterian Record Inc.
Notes to Financial Statements
**December 31, 2015**

**Financial instruments - recognition and measurement**

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification, as described below. The classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Record's designation of such instruments.

The Record measures its significant categories of financial instruments as follows:

| | |
|---|---|
| Cash | fair value |
| Accounts receivable | amortized cost |
| Investments | fair value |
| Accounts payable and accrued liabilities | amortized cost |

Financial assets are tested for impairment at the end of each reporting period when there are indications that the assets may be impaired.

## 3 Capital assets

Capital assets consist of the following:

| | | | 2015 |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
| Computer hardware and software | 73,584 | 70,235 | 3,349 |
| Furniture and fixtures | 5,716 | 5,716 | - |
| | 79,300 | 75,951 | 3,349 |

| | | | 2014 |
|---|---|---|---|
| | Cost<br>$ | Accumulated amortization<br>$ | Net<br>$ |
| Computer hardware and software | 73,584 | 65,784 | 7,800 |
| Furniture and fixtures | 5,716 | 5,716 | - |
| | 79,300 | 71,500 | 7,800 |

# Presbyterian Record Inc.
Notes to Financial Statements
**December 31, 2015**

## 4 Government remittances

Government remittances consist of amounts (such as sales taxes and payroll withholding taxes) required to be paid to government authorities and are recognized when the amounts come due. In respect of government remittances, $10,191 (2014 - $nil) is included in accounts payable and accrued liabilities.

## 5 Financial instruments risk disclosures

The Record's financial instruments are exposed to foreign exchange risk, credit risk, liquidity risk, market risk and interest rate risk.

### Foreign exchange risk

The Record's investments are held in the consolidated portfolio of PCIC. This portfolio holds 23.7% (2014 - 21.2%) of its investments in the United States and 9.2% (2014 - 8.6%) in international markets and therefore is subject to foreign exchange risk. The fund managers operate under a detailed statement of investment policies and procedures and are expected to manage this type of risk. The risk in this area is considered to be moderate.

### Credit risk

The Record is exposed to credit risk on accounts receivable; this credit risk is considered to be low.

### Liquidity risk

Given the makeup of its accounts payable and accrued liabilities, liquidity risk is considered to be low.

### Market risk

Market risk arises from the possibility changes in market prices will affect the value of the financial instruments of the Record. The Record's investments are held in the consolidated portfolio of PCIC and this portfolio is exposed to fair value fluctuations on equities and bonds.

### Interest rate risk

The promissory notes and bonds in the consolidated portfolio of PCIC bear interest at a fixed rate and, as such, the Record is subject to interest rate risk resulting from changes in fair value from market fluctuations in interest rates.