

**Long Term Disability Plan of the  
Anglican Church of Canada  
Financial Statements  
For the year ended December 31, 2018**

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## Independent Auditor's Report

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To the Board of Trustees of the Long Term Disability Plan of the Anglican Church of Canada

### Qualified Opinion

We have audited the financial statements of Long Term Disability Plan of the Anglican Church of Canada (the "Plan"), which comprise the statement of financial position as at December 31, 2018, and the statement of changes in net assets available for benefits 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 matter 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 Plan as at December 31, 2018, and its changes in net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

### Basis for Qualified Opinion

As agreed to by the Trustees of the Plan and in common with many benefit fund audits, the scope of our audit was limited to the records of the Plan and therefore, did not extend to an examination of the payroll records of the contributing employers. Accordingly, our verification of contribution revenue was limited to the amounts recorded in the records of the Plan and we were not able to determine whether any adjustments might be necessary to contribution revenue and increase in net assets for the years ended December 31, 2018 and 2017, assets as at December 31, 2018 and 2017 and net assets available for benefits as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation in scope.

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, 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 Plan'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 Plan or to cease operations, or has no realistic alternative but to do so.

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



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## Independent Auditor's Report (Continued)

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### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan'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 Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan 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.

*BDO CANADA LLP*

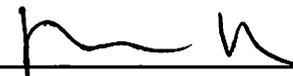
Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
May 9, 2019

**Long Term Disability Plan of the Anglican Church of Canada**  
**Statement of Financial Position**

December 31	2018	2017
<b>Assets</b>		
Cash	\$ 430,105	\$ 127,609
Contributions receivable	61,616	33,774
Investments (Note 3)	2,448,412	2,698,872
Due from related parties (Note 4)	-	527
	<b>2,940,133</b>	<b>2,860,782</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	25,529	24,498
Due to related parties (Note 4)	8,222	-
	<b>33,751</b>	<b>24,498</b>
<b>Net assets available for benefits</b>	<b>\$ 2,906,382</b>	<b>\$ 2,836,284</b>

On behalf of the Board:

  
 \_\_\_\_\_  
 Chairperson

  
 \_\_\_\_\_  
 Trustee

## Long Term Disability Plan of the Anglican Church of Canada Statement of Changes in Net Assets Available for Benefits

For the year ended December 31	2018	2017
<b>Increase in net assets</b>		
Contributions (Note 2)	\$ 2,167,920	\$ 2,170,868
Investment income (loss) (Note 6)	(141,356)	262,335
	<u>2,026,564</u>	<u>2,433,203</u>
<b>Decrease in net assets</b>		
Benefit costs		
Claims	487,312	941,014
Insurance premiums	1,102,145	1,103,242
	<u>1,589,457</u>	<u>2,044,256</u>
Expenses		
Adjudication costs	18,278	36,687
Administrative expenses (Note 4)	286,734	256,506
Consulting costs	28,444	49,088
Investment management fees	9,104	9,363
Professional fees	13,475	13,475
Trustee insurance	10,974	9,332
	<u>367,009</u>	<u>374,451</u>
Total expenses	<u>1,956,466</u>	<u>2,418,707</u>
<b>Increase in net assets</b>	<b>70,098</b>	<b>14,496</b>
<b>Net assets available for benefits, beginning of year</b>	<u><b>2,836,284</b></u>	<u><b>2,821,788</b></u>
<b>Net assets available for benefits, end of year</b>	<u><b>\$ 2,906,382</b></u>	<u><b>\$ 2,836,284</b></u>

The accompanying notes are an integral part of these financial statements.

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# Long Term Disability Plan of the Anglican Church of Canada

## Notes to Financial Statements

December 31, 2018

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### 1. Significant Accounting Policies

#### **Nature and Purpose of the Organization**

The General Synod of the Anglican Church of Canada provides long term disability ("LTD") benefits for its clergy and lay employees under the Long Term Disability Plan of the Anglican Church of Canada (the "Plan"), which was established January 1, 2005 (January 1, 2006 for Diocese of Montreal). All employers in the General Synod Pension Plan of the Anglican Church of Canada are required to participate in the Plan.

#### **Basis of Presentation**

These financial statements are prepared using Canadian accounting standards for pension plans. For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply Canadian accounting standards for private enterprises.

#### **Funding Policy**

The Plan is an employer sponsored plan where the employers are required to contribute 2.2% of eligible employees' earnings.

#### **Investments**

Investments are stated at fair value. The investment income on pooled funds is recognized as the increase or decrease in the value of the pooled fund. Dividends and interest are reinvested within the pooled fund.

#### **Financial Instruments**

Financial instruments, excluding investments, are recorded at fair value when acquired or issued and subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

#### **Revenue Recognition**

Contributions of the Plan are accrued in the year of assessment. Interest income is recognized on a time proportion basis.

#### **Use of Estimates**

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

#### **Income Tax Status**

Income taxes arise on the excess, if any, of investment income over administration expenses and taxable benefits.

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## Long Term Disability Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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### 2. Description of Plan

The following description of the Long Term Disability Plan of the Anglican Church of Canada is a summary only. For more complete information, reference should be made to the Plan Regulations.

#### General

The Long Term Disability Plan of the Anglican Church of Canada has been set up as an employer pay plan to provide benefits to claimants who become disabled and unable to work on or after January 1, 2005. Employers contributed 2.2% of employees' salaries to the Plan during the year ended December 31, 2018 with the amount of premiums determined by actuaries based on Plan experience.

#### Long Term Disability Benefits

Plan Regulations provide a 119 day waiting period before a member is eligible to receive benefits. After the 119 day waiting period, the Plan self insures for the next 18 months with the insurance carrier paying all claims following the 18 month self-insured period.

Monthly long term disability benefits are taxable and are calculated on 60% of the employee's monthly salary. The maximum monthly benefit an employee can receive is \$10,000.

The long term disability benefit will be reduced by income from such sources as:

- Disability benefits received from another plan including Canada/Quebec Pension Plan and Worker's Compensation programs; and
- 60% of the value of Church housing or housing allowance provided during disability.

Long term disability benefits are available until the age of 65.

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### 3. Investments

Investments consist of units in the following funds, which are recorded at market value:

	2018		2017	
	Cost	Market Value	Cost	Market Value
Letko Brosseau Balanced Fund	\$ 1,583,750	\$ 1,914,812	\$ 1,509,338	\$ 2,079,066
Letko Brosseau Equity Fund	386,526	533,600	377,881	619,806
	<b>\$ 1,970,276</b>	<b>\$ 2,448,412</b>	<b>\$ 1,887,219</b>	<b>\$ 2,698,872</b>

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## Long Term Disability Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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#### 4. Related Party Transactions

The Pension Office Corporation of the Anglican Church of Canada administers the Plan. Under the terms of a Cost Sharing and Agency Agreement with the Plans, the Corporation pays the shared expenses of the Plans and is reimbursed. In the current year, an amount of \$288,222 has been allocated to the Plan (2017 - \$258,255) and is included in administrative expenses, at its exchange value (the amount of consideration established and agreed to by the related parties).

The following amounts are due from (to) related parties at year end:

	2018	2017
Employee Benefits Fund of the Anglican Church of Canada	\$ -	\$ 2,564
General Synod Pension Plan of the Anglican Church of Canada	-	95
Plan Administration Expense Fund	-	1,123
Pension Office Corporation of the Anglican Church of Canada	<b>(8,222)</b>	<b>\$ (3,255)</b>
	<b>\$ (8,222)</b>	<b>\$ 527</b>

The Plan has a common Board of Directors/Trustees with the above related parties.

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#### 5. Actuarial Present Value of Possible Expected Future Claims

The estimated actuarial present value of expected future claims, as prepared by Eckler Ltd. at June 30, 2018 is \$726,500 (2017 - \$911,200), with corresponding assets with a market value of \$2,925,600 (2017 - \$2,657,800). The amounts have not been estimated to the year end date of December 31, 2018.

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#### 6. Investment Income (Loss)

	2018	2017
Pooled funds distributions	\$ 149,773	\$ 89,957
Realized gain on sale of investments	42,388	81,039
Unrealized gain (loss) on investments	<b>(333,517)</b>	91,316
Interest income	-	23
	<b>\$ (141,356)</b>	<b>\$ 262,335</b>

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# Long Term Disability Plan of the Anglican Church of Canada

## Notes to Financial Statements

**December 31, 2018**

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### 7. Financial Risk Management

The Plan may be exposed to a variety of financial risks including credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). These risks have not changed from the prior year.

(a) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Plan. The Plan's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and investments. The Plan manages its exposure to this risk by maintaining its cash with a major Schedule 1 bank and maintaining its fixed income investments in a professionally managed diversified balanced fund. The Plan also has credit risk to the extent that contributions receivables are not collectible. The Plan manages this risk by closely monitoring delinquent contributors and ensuring late contributions and deviations are pursued.

(b) Liquidity Risk

The Plan is also exposed to liquidity risk in the event that investments must be sold quickly. The majority of the Plan's assets are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise, assuming orderly markets.

(c) Market Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Plan is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments within the pooled funds.

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate with changes in foreign currency exchange rates. The Plan is exposed to currency risk from the possibility that changes in exchange rates will affect the value of investments denominated in foreign currencies within the pooled funds.

Other price risk is the risk that the value of an investment will fluctuate as a result 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 a market. The Plan manages market risk by diversifying investments in accordance with the Plan's Statement of Investment Policies and Procedures, which is approved by the Trustees. The Plan is exposed to fluctuations in equity markets on its investments within the pooled funds.

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# Long Term Disability Plan of the Anglican Church of Canada

## Notes to Financial Statements

December 31, 2018

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### 7. Financial Risk Management (Continued)

(d) Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements is based upon transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1:

For securities valued based on unadjusted quoted prices in active markets for identical assets.

Level 2:

For securities valued based on inputs, other than quoted prices included in Level 1, that are observable for the asset, either directly or indirectly.

Level 3:

For securities valued based on inputs that are based on unobservable market data.

The Plan's financial instruments are categorized as Level 1 within the fair value hierarchy as at December 31, 2018 and 2017.

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### 8. Capital Disclosure

The Plan considers its capital to be its net assets available for benefits. The Plan's objective when managing capital is to ensure that the long term disability coverage for its members is maintained. Deficiencies from operations are normally funded from contributions in future periods. The Plan's ability to meet this objective is affected by the level of benefits provided, contributions received and by the return on the Plan's investment assets, which are invested in accordance with the Plan's Statement of Investment Policies and Procedures.

There have been no significant changes to the Plan's capital management objectives, policies and processes in the year nor has there been any change in what the Plan considers to be its capital.