

**Lay Retirement 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 Lay Retirement Plan of the Anglican Church of Canada

### Qualified Opinion

We have audited the financial statements of Lay Retirement 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 (decrease) 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

**Lay Retirement Plan of the Anglican Church of Canada  
Statement of Financial Position**

| December 31                              | 2018                 | 2017                 |
|--|----------------------|----------------------|
| <b>Assets</b>                            |                      |                      |
| Cash                                     | \$ 179,283           | \$ 157,889           |
| Investments (Note 2)                     | 46,623,126           | 48,735,381           |
| Contributions receivable                 |                      |                      |
| Employers                                | 57,045               | 47,363               |
| Members                                  | 57,065               | 47,305               |
| Accounts receivable                      | 10,031               | 9,906                |
|  | <b>46,926,550</b>    | <b>48,997,844</b>    |
| <b>Liabilities</b>                       |                      |                      |
| Accounts payable and accrued liabilities | 11,290               | 11,290               |
| Due to related party (Note 3)            | 1,028                | 434                  |
|  | <b>12,318</b>        | <b>11,724</b>        |
| <b>Net assets available for benefits</b> | <b>\$ 46,914,232</b> | <b>\$ 48,986,120</b> |

On behalf of the Board:



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Chairperson



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Trustee

## Lay Retirement 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   |                      |                      |
| Employers   | \$ 1,780,485         | \$ 1,693,330         |
| Members   | 1,772,529            | 1,687,449            |
| Voluntary   |                      |                      |
| Members   | 36,465               | 19,679               |
|   | 3,589,479            | 3,400,458            |
| Investment income (loss) (Notes 4 and 5(c))                 | (897,774)            | 2,998,371            |
|   | <b>2,691,705</b>     | <b>6,398,829</b>     |
| <b>Decrease in net assets</b>                               |                      |                      |
| Pension benefits  | 280,447              | 250,313              |
| Death benefits  | 580,665              | -                    |
| Withdrawal and terminations                                 | 3,816,849            | 1,909,104            |
| Administrative expenses (Notes 3 and 5(c))                  | 85,632               | 70,263               |
|   | <b>4,763,593</b>     | <b>2,229,680</b>     |
| <b>Increase (decrease) in net assets</b>                    | <b>(2,071,888)</b>   | <b>4,169,149</b>     |
| <b>Net assets available for benefits, beginning of year</b> | <b>48,986,120</b>    | <b>44,816,971</b>    |
| <b>Net assets available for benefits, end of year</b>       | <b>\$ 46,914,232</b> | <b>\$ 48,986,120</b> |

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

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# Lay Retirement 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 Plan**

The Plan is a defined contribution pension plan covering lay employees of the participating employers affiliated with the Anglican Church of Canada who are not entitled to participate in the General Synod Pension Plan of the Anglican Church of Canada ("General Synod Pension Plan"). Under the Plan, contributions are made by the Plan members and their participating employers.

#### **Basis of Presentation**

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the participating employers and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

#### **Investments**

Investments are primarily in pooled funds and are stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as investment income.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

The fair value of all other investments is based on closing quoted market prices.

Net realized gains or losses on the sale of investments are calculated on a weighted average cost basis. Interest income is recognized on a time proportion basis and dividend income is recognized on the dividend date of record.

#### **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.

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## Lay Retirement Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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### 1. Significant Accounting Policies (Continued)

#### **Funding Policy**

The Plan is funded by contributions of 10% of the member's salary, 5% being paid by the employee and 5% by the employer. The employee is allowed to make additional unmatched voluntary contributions. Contributions are recognized in the financial statements on the accrual basis for salaries reported by the employer up to, and including, the December 2018 work month to the extent that these contributions are reported by the date of the auditor's report.

Required contributions to the Plan are accrued in the year of assessment. Other contributions are recorded when received.

#### **Use of Estimates**

The preparation of financial statements in conformity with Canadian accounting standards for pension plans 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 increases and decreases in net assets during the reported period. Actual amounts could differ from those estimates.

#### **Income Tax Status**

The Plan is registered pursuant to the Pension Benefit Act and exempt from tax under section 149(1)(o) of the Income Tax Act.

## Lay Retirement Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

### 2. Investments

Investments consist of the following:

|   | 2018                 | 2017                 |
|---|----------------------|----------------------|
| <b>Guaranteed Investment Certificates</b> | <b>\$ 667,479</b>    | <b>\$ 790,438</b>    |
| <b>Pooled Funds</b>                       |                      |                      |
| Money market                              | 731,324              | 669,057              |
| Fixed income                              | 1,038,258            | 1,111,909            |
| Balanced - Target risk                    | 44,186,065           | 46,163,977           |
|   | <b>\$ 46,623,126</b> | <b>\$ 48,735,381</b> |

The market value of the following investments exceeds 1% of the market value of the total Plan investments as at December 31, 2018 :

|                               | 2018       | 2017       |
|-------------------------------|------------|------------|
| <b>Pooled Funds</b>           |            |            |
| MFS Money Market Fund         | \$ 731,324 | \$ 669,057 |
| MFS Fixed Income Fund         | 1,038,258  | 1,111,909  |
| Continuum Conservative Module | 2,396,843  | 2,348,249  |
| Continuum Moderate Module     | 16,557,245 | 15,626,543 |
| Continuum Balanced Module     | 21,311,444 | 23,680,893 |
| Continuum Advanced Module     | 2,272,868  | 2,806,588  |
| Continuum Aggressive Module   | 1,647,665  | 1,701,704  |

The Pension Benefits Act, 1990 (Ontario) requires disclosure of the market and book value of each category of investment (unless book values are not maintained in which case carrying values are to be disclosed), realized and unrealized gains or losses on total investments, and investment income by category of investment. Because of the nature of the funds, the fund manager is unable to provide book values, realized and unrealized gains or losses, and investment income by category, and therefore, no disclosure of this information is provided in these financial statements.

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## Lay Retirement Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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### 3. Related Party Transactions

The Pension Office Corporation of the Anglican Church of Canada administers the Plan. Effective January 1, 2015, the Plan entered into a cost sharing and agency agreement between the various pension and benefit plans of the Anglican Church of Canada (the "Plans") and the Pension Office Corporation. Prior to 2015, The Pension Office Corporation invoiced the Plans for their share of expenses. In the current year, the Plan paid the Pension Office Corporation \$36,028 (2017 - \$34,434) to cover the Plan's share of the operating expenses. This transaction is measured at its exchange value (the amount of consideration established and agreed to by the related parties).

The following amount is due to a related party at year end :

|   | <u>2018</u>     | <u>2017</u> |
|---|-----------------|-------------|
| Pension Office Corporation of the Anglican Church of Canada | <b>\$ 1,028</b> | \$ 434      |

The Plan has a common Board of Directors/Trustees with the Pension Office Corporation of the Anglican Church of Canada.

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### 4. Investment Income

Investment income relates to the market value increase of pooled fund investments and interest earned on Guaranteed Investment Certificates.

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### 5. Statutory Information

Pursuant to the Pension Benefits Act, 1990, the following information is disclosed:

- (a) Pension Plan Registration  
The Plan is registered under number 1026509.
- (b) Description of Plan Benefits  
The Plan provides various alternatives on termination. An individual can transfer their balance owing to them to a Locked-in Retirement Account, a Locked-in Retirement Income Fund, a Life Income Fund, another registered pension plan or purchase an immediate or deferred pension from an insurance company. Upon death, a refund is payable to the partner or the named beneficiary. Members should refer to the Plan Regulations for full details.

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## Lay Retirement Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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### 5. Statutory Information (Continued)

(c) Recipients of professional fees (included in administrative expenses) are as follows:

|                              | 2018      | 2017      |
|------------------------------|-----------|-----------|
| Insurance                    |           |           |
| Cade Associates              | \$ 1,372  | \$ 1,244  |
| Audit                        |           |           |
| BDO Canada LLP               | \$ 9,463  | \$ 9,463  |
| Consulting                   |           |           |
| Mercer Investment Consulting | \$ 29,018 | \$ 15,933 |

Great West Life charges annual investment management fees in the range of 0.67% to 0.90% (2017 - 0.70% to 0.95%) of the average daily market value of fund balances. Fees in the amount of \$476,608 (2017 - \$458,540) are included as an offset to investment income.

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### 6. 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). As the investments in the Plan are chosen by the individual members, risk is primarily managed by the members, as the members select investments based on their risk tolerance level.

#### a) Market Risk

Market risk is the risk that the value of an investment changes as a result of market conditions. Market risk encompasses a variety of risks such as interest rate risk, currency risk and price risk. The Plan manages market risk by diversifying the choice of investments in accordance with the Plan's Statement of Investment Policies and Procedures, which is approved by the Trustees.

##### *Interest Rate Risk*

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

##### *Currency Risk*

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate due to changes in foreign currency exchange rates.

##### *Price Risk*

Other price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices. The Plan's investments in pooled funds are sensitive to market fluctuations.

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# Lay Retirement Plan of the Anglican Church of Canada

## Notes to Financial Statements

**December 31, 2018**

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### 6. Financial Risk Management (Continued)

b) Credit Risk

Credit risk is the risk of loss arising when a counterparty fails to fully honour its financial obligations with the Plan. Credit risk can also cause losses when an issuer is downgraded by credit rating agencies leading to a reduction in the market value of the issuers' obligation.

c) Liquidity Risk

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its obligations as they come due. Cash inflows are derived from employer and member contributions and investment income. The majority of the Plan's assets are invested in readily marketable securities and can be sold relatively quickly, assuming orderly markets.

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.

As at December 31, 2018 and December 31, 2017 all investments are Level 1 or Level 2 within the fair value hierarchy.

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### 7. Capital Disclosure

The Plan considers its capital to consist of its net assets available for benefits as presented in the Statement of Financial Position. The Plan's objective when managing its capital is to assist Plan members to accumulate funds that can be consolidated with other personal savings and benefits to provide income in retirement. The prudent and effective management of the Plan's assets, in accordance with Plan member direction, will have a direct impact on the achievement of this goal. The Plan seeks to provide an appropriate range of investment choices to encompass the varying risk tolerances of the Plan Members in achieving their retirement goals.

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## Lay Retirement Plan of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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### 7. Capital Disclosure (Continued)

The Board of Trustees believes that it has adopted investment objectives and policies which provide a reasonable range of investment choices with different return and risk characteristics and which provide a reasonable basis for prudent and effective management of the Plan. These options are comprised of GICs and a variety of pooled funds described in the Statement of Investment Policies and Procedures (the "SIP&P"). The SIP&P was originally established in 1996 and was last amended on November 16, 2018. There were no significant changes from the previously approved SIP&P.

The SIP&P specifies the following investment options available to members:

|                             | <b>Canadian<br/>Bonds</b> | <b>Canadian<br/>Equities</b> | <b>Global<br/>Equities</b> |
|-----------------------------|---------------------------|------------------------------|----------------------------|
| Continuum Funds             |                           |                              |                            |
| Continuum Conservative Fund | 75%                       | 12.5%                        | 12.5%                      |
| Continuum Moderate Fund     | 60%                       | 20%                          | 20%                        |
| Continuum Balanced Fund     | 40%                       | 30%                          | 30%                        |
| Continuum Advanced Fund     | 20%                       | 40%                          | 40%                        |
| Continuum Aggressive Fund   | 0%                        | 50%                          | 50%                        |
| MFS Fixed Income Fund       | n/a                       | n/a                          | n/a                        |
| MFS Money Market            | n/a                       | n/a                          | n/a                        |
| GICs                        | n/a                       | n/a                          | n/a                        |

A set of benchmarks has been identified to measure against each investment option's annual rate of investment return. Each option's relative annual rate of investment return expectation is to exceed the applicable benchmark. The table on the following page summarizes the percentage of the Plan's investments in each of the options at the end of the year and the return for the year before fees, compared to the benchmark.

## Lay Retirement Plan of the Anglican Church of Canada

### Notes to Financial Statements

December 31, 2018

#### 7. Capital Disclosure (Continued)

| Investment Options                  | Benchmark  | Investment Allocation (%) |       | Current Year Annual Rate of Investment Return (%) |       |       |       |
|-------------------------------------|--|---------------------------|-------|---|-------|-------|-------|
|                                     |  | As of December 31st       |       | Benchmark   |       |       |       |
|                                     |  | 2018                      | 2017  | 2018  | 2017  | 2018  | 2017  |
| Continuum Conservative Fund         | 75% DEX Universe Bond Index/15% S&P/TSX Composite Index/10% MSCI World Index | 5.1%                      | 4.8%  | 0.0%  | 4.9%  | 0.4%  | 5.3%  |
| Continuum Moderate Fund             | 60% DEX Universe Bond Index/24% S&P/TSX Composite Index/16% MSCI World Index | 35.6%                     | 32.1% | -0.8%   | 6.3%  | -0.4% | 6.6%  |
| Continuum Balanced Fund             | 40% DEX Universe Bond Index/36% S&P/TSX Composite Index/24% MSCI World Index | 45.7%                     | 48.5% | -1.9%   | 8.2%  | -1.6% | 8.4%  |
| Continuum Advanced Fund             | 20% DEX Universe Bond Index/48% S&P/TSX Composite Index/32% MSCI World Index | 4.9%                      | 5.8%  | -3.1%   | 10.1% | -2.8% | 10.2% |
| Continuum Aggressive Fund           | 60% S&P/TSX Composite Index/40% MSCI World Index                             | 3.5%                      | 3.5%  | -4.3%   | 12.1% | -4.0% | 12.0% |
| McLean Budden Fixed Income Fund     | Dex Universe   | 2.2%                      | 2.3%  | 1.4%  | 2.5%  | 1.5%  | 2.8%  |
| Money Market MFS McLean Budden      | DEX 91 Day T-Bill  | 1.6%                      | 1.4%  | 1.4%  | 0.6%  | 1.5%  | 0.8%  |
| GICs Great-West Life - 1, 3, 5 Year | Average rate of the 5 largest Canadian banks                                 | 1.4%                      | 1.6%  | n/a   | n/a   | n/a   | n/a   |
|                                     |  | 100%                      | 100%  |   |       |       |       |