

The Pension Office Corporation of the
Anglican Church of Canada
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors of
The Pension Office Corporation of the Anglican Church of Canada

Opinion

We have audited the financial statements of The Pension Office Corporation of the Anglican Church of Canada (the "Corporation"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets (deficiency) and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation 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 Opinion

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 Corporation 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 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 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 Corporation'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 Corporation or to cease operations, or has no realistic alternative but to do so.

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



Independent Auditor's Report (Continued)

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 Corporation'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 Corporation'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 Corporation 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

The Pension Office Corporation of the Anglican Church of Canada
Statement of Financial Position

December 31 2018 2017

Assets

Current

Cash	\$	50,987	\$	68,624
Prepaid expenses		81,727		81,058
Due from related parties (Note 2)		25,695		10,992

158,409 160,674

Capital assets and intangibles (Note 3)

94,340 94,736

\$ 252,749 **\$ 255,410**

Liabilities and Net Assets

Current

Accounts payable and accrued liabilities	\$	53,177	\$	47,509
Due to related parties (Note 2)		199,572		207,901

252,749 255,410

Net Assets (deficiency)

Invested in capital assets and intangibles	94,340	94,736
Unrestricted deficiency	(94,340)	(94,736)

- -

\$ 252,749 **\$ 255,410**

On behalf of the Board


 _____ Chairperson


 _____ Director

The Pension Office Corporation of the Anglican Church of Canada Statement of Operations

For the year ended December 31	2018	2017
Revenue		
Interest income	\$ -	\$ 67
Other income	7,975	7,450
	7,975	7,517
Expenses		
Amortization	40,843	32,590
Computer	186,403	178,442
Meetings	58,331	47,580
Office and miscellaneous	80,178	73,528
Printing	27,090	7,864
Professional fees	17,735	15,752
Rent	108,808	113,885
Salaries and benefits	1,286,163	1,255,776
Telephone	3,814	3,797
	1,809,365	1,729,214
Deficiency of revenue over expenses before undernoted item	(1,801,390)	(1,721,697)
Net expenses reimbursed by the pension and benefit plans of the Anglican Church of Canada (Note 2)	(1,801,390)	(1,721,697)
	\$ -	\$ -

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

The Pension Office Corporation of the Anglican Church of Canada Statement of Changes in Net Assets (Deficiency)

For the year ended December 31

	Invested in Capital Assets and Intangibles	Unrestricted		Total 2018	Total 2017
Balance , beginning of the year	\$ 94,736	\$ (94,736)	\$	-	-
Excess (deficiency) of revenue over expenses for the year	(40,843)	40,843		-	-
Additions to capital assets and intangibles	40,447	(40,447)		-	-
Balance , end of the year	\$ 94,340	\$ (94,340)	\$	-	-

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

The Pension Office Corporation of the Anglican Church of Canada Statement of Cash Flows

For the year ended December 31

2018

2017

Cash provided by (used in)

Operating activities

Excess (deficiency) of revenue over expenses for the year	\$	-	\$	-
Adjustments to reconcile excess (deficiency) of revenue over expenses to net cash provided by (used in) operating activities				
Amortization		40,843		32,590
Changes in non-cash working capital balance				
Prepaid expenses		(669)		(7,769)
Accounts payable and accrued liabilities		5,668		(8,470)
		45,842		16,351

Investing activities

Purchase of capital assets and intangibles		(40,447)		(34,768)
Increase in due from related parties		(14,703)		(65,718)
		(55,150)		(100,486)

Financing activity

Decrease in due to related parties		(8,329)		(3,754)
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Net change in cash

(17,637) (87,889)

Cash, beginning of year

68,624 156,513

Cash, end of year

\$ 50,987 \$ 68,624

The Pension Office Corporation of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies

Purpose of Corporation

The Pension Office Corporation of the Anglican Church of Canada (the "Corporation") is a non-profit Corporation incorporated by letters patent under the laws of Canada and is engaged in the administration and management of the operations of the various pension and benefit plans (the "Plans").

The Corporation was incorporated on November 11, 2004, starting operations effective January 1, 2005. Prior to January 1, 2005, all administrative services were provided by the unincorporated Pension Office of the Anglican Church of Canada and were paid directly by the various Plans.

Basis of Accounting

The Corporation has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

Revenue Recognition

Reimbursement of expenses in the form of administration fees are accrued in the financial statements up to the year end date.

Any amounts billed in advance are recorded as deferred revenue.

Interest income is recognized on a time proportion basis.

Capital Assets and Intangibles

Capital assets and intangibles are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Computer software - intangibles	- 5 years straight-line basis
Computer hardware	- 5 years straight-line basis
Office equipment	- 5 years straight-line basis

Amortization is provided for when the assets are first put into use.

Impairment of Long-lived Assets

The Corporation monitors its use of long-lived assets and when the asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.

Financial Instruments

Financial instruments 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.

The Pension Office Corporation of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

1. Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organization 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Income Tax Status

The Corporation is exempt from income tax under section 149(1)(l) of the Income Tax Act.

2. Related Party Transactions and Balances

The Corporation administers the various pension and benefit plans of the Anglican Church of Canada (the "Plans"). 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. The expense reimbursement was derived as follows:

	2018	2017
General Synod Pension Plan of the Anglican Church of Canada	\$ 900,695	\$ 860,849
Employee Benefits Fund of the Anglican Church of Canada	342,264	309,905
Long Term Disability Plan of the Anglican Church of Canada	288,222	258,255
Continuing Education Plan of the Anglican Church of Canada	162,125	172,170
Self-Insured Death Benefit Plan of the Anglican Church of Canada	36,028	51,650
Endowment Fund of the Anglican Church of Canada	36,028	34,434
Lay Retirement Plan of the Anglican Church of Canada	36,028	34,434
	\$ 1,801,390	\$ 1,721,697

These transactions are measured at their exchange value (the amount of consideration established and agreed to by the related parties). The Corporation has a common Board of Directors/Trustees with all of the Plans.

At December 31, 2018, the following amounts are owing to related parties:

	2018	2017
Plan Administration Expense Fund	\$ 199,305	\$ 207,901
General Synod Pension Plan of the Anglican Church of Canada	267	-
	\$ 199,572	\$ 207,901

The Pension Office Corporation of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

2. Related Party Transactions and Balances (Continued)

At December 31, 2018, administrative expenses prepaid by related parties were included in above amounts due to related parties:

	2018	2017
Plan Administration Expense Fund	\$ 225,000	\$ 218,750

At December 31, 2018, the following amounts are due from related parties:

	2018	2017
Employee Benefits Fund of the Anglican Church of Canada	\$ 9,764	\$ 3,905
Long Term Disability Plan of the Anglican Church of Canada	8,222	3,255
Continuing Education Plan of the Anglican Church of Canada	4,625	2,170
Self-Insured Death Benefit Plan of the Anglican Church of Canada	1,028	650
Endowment Fund of the Anglican Church of Canada	1,028	434
Lay Retirement Plan of the Anglican Church of Canada	1,028	434
General Synod Pension Plan of the Anglican Church of Canada	-	144
	\$ 25,695	\$ 10,992

3. Capital Assets and Intangibles

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer hardware	\$ 33,021	\$ 15,659	\$ 30,291	\$ 20,757
Office equipment	17,603	13,031	17,603	10,745
	50,624	28,690	47,894	31,502
Computer software - intangibles	555,063	482,657	531,403	453,059
	\$ 605,687	\$ 511,347	\$ 579,297	\$ 484,561
Net book value		\$ 94,340		\$ 94,736

The Pension Office Corporation of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2018

4. Commitments

The Corporation is committed to pay semi-annual amounts of approximately \$63,300 for the development and ongoing use of the computer system until December 31, 2023.

During the year, the Corporation entered into an operating lease for its premises with monthly payments of \$4,015 beginning on December 1, 2018, increasing to monthly payments of \$4,417 on December 1, 2020 until expiration of the lease on November 30, 2023. Additional rent has been estimated to be approximately \$51,312 per annum for various operating costs.

The minimum annual payments are as follows:

2019	\$ 107,889
2020	112,879
2021	117,870
2022	117,870
2023	<u>108,047</u>
	<u>\$ 564,555</u>

5. Pension Expense

The Corporation contributes a percentage of employees' salaries to the General Synod Pension Plan of the Anglican Church of Canada. The cost of the pension benefit is the Corporation's contribution to the plan and amounted to \$119,977 (2017 - \$115,765) during the year.

The pension plan is a contributory target benefit specified multi-employer pension plan that specifies the expected benefits to be paid to members upon pension eligibility. For accounting purposes, the Plan is considered to be a defined contribution pension plan since contributions are limited to amounts determined by the Pension Committee and employers are not required to fund actuarially determined funding deficiencies that may occur from time to time.

6. Financial Instruments

The Corporation's activities expose it to direct and indirect financial risks: credit risk and liquidity risk. These risks have not changed from the prior year.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash is subject to credit risk. The Corporation limits its exposure to this risk by maintaining cash with major financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Corporation encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk includes the risk that, as a result of operational liquidity requirements, the Corporation will not have sufficient funds to settle a transaction on the due date; will be forced to sell financial assets at a value, which is less than what they are worth; or may be unable to settle or recover a financial asset. Liquidity risk arises from accounts payable and accrued liabilities, amounts due to related parties and commitments.