

**Long Term Disability Plan of the
Anglican Church of Canada
Financial Statements**
For the years ended December 31, 2012 and 2011

Contents

Independent Auditor's Report	2
Financial Statements	
Statements of Financial Position	3
Statements of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5-11



Tel: 905 946 1066
Fax: 905 946 9524
www.bdo.ca

BDO Canada LLP
60 Columbia Way, Suite 300
Markham ON L3R 0C9 Canada

Independent Auditor's Report

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

We have audited the accompanying financial statements of the Long Term Disability Plan of the Anglican Church of Canada, which comprise the statements of financial position as at December 31, 2012 and December 31, 2011, and the statements of changes in net assets available for benefits for the years then ended, and 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 pension funds, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The scope of our audit did not extend to an examination of the payroll records of the contributing employers. 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, increase in net assets available for benefits for the years ended December 31, 2012 and December 31, 2011, assets and net assets available for benefits as at January 1 and December 31 for both the 2012 and 2011 years.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Long Term Disability Plan of the Anglican Church of Canada as at December 31, 2012 and December 31, 2011 and the changes in its net assets available for benefits for the years then ended in accordance with Canadian accounting standards for pension plans.

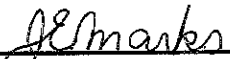
Chartered Accountants, Licensed Public Accountants

Markham, Ontario
May 3, 2013


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

December 31	2012	2011
Assets		
Cash and cash equivalents (Note 4)	\$ 521,989	\$ 426,075
Contributions receivable	105,118	33,560
Due from related parties (Note 5)	12,521	-
Investments (Note 6)	2,447,134	1,955,711
	3,086,762	2,415,346
 Liabilities		
Accounts payable and accrued liabilities	35,336	30,421
Due to related parties (Note 5)	3,305	339
	38,641	30,760
 Net assets available for benefits	\$ 3,048,121	\$ 2,384,586

On behalf of the Board of Trustees:



Chairperson



Trustee

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

For the years ended December 31	2012	2011
Increase in net assets		
Contributions	\$ 2,238,380	\$ 2,242,889
Investment income (loss) (Note 8)	304,209	(83,942)
	<u>2,542,589</u>	<u>2,158,947</u>
Decrease in net assets		
Adjudication costs	103,113	101,700
Administrative expenses (Note 5)	243,614	210,519
Claims	399,364	443,130
Consulting costs	32,747	31,572
Insurance premiums	1,071,969	1,195,402
Investment management fees	8,487	7,021
Miscellaneous	-	205
Professional fees	15,865	13,152
Trustee insurance	3,895	3,372
	<u>1,879,054</u>	<u>2,006,073</u>
Increase in net assets available for benefits	663,535	152,874
Net assets available for benefits, beginning of year	2,384,586	2,231,712
Net assets available for benefits, end of year	\$ 3,048,121	\$ 2,384,586

Long Term Disability Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012 and 2011

1. Summary of Significant Accounting Policies

- a. **Nature and Purpose of 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.
- b. **Basis of Presentation** These financial statements are prepared using Canadian accounting standards for pension plans, Part IV of the CICA Handbook.
- c. **Funding Policy** The Plan is an employer sponsored plan where the employers are required to contribute 2.2% of eligible employees' earnings.
- d. **Cash and cash equivalents** Cash and cash equivalents consists of cash on hand and a guaranteed investment certificate.
- e. **Investments** Investments are stated at fair value. The Plan has early adopted *International Financial Reporting Standards (IFRS) 13* with respect to the fair value measurement of its investments and there was no effect due to this change.

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.

The investments are held in trust by the corporate trustee, Letko Brosseau.
- f. **Revenue Recognition** Contributions of the Plan are accrued in the year of assessment.

Interest income is recognized on a time proportion basis.
- g. **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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
- h. **Income Tax Status** Income taxes arise on the excess, if any, of investment income over administration expenses and taxable benefits.

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

December 31, 2012 and 2011

2. Change in Accounting Standards

On January 1, 2012, the Plan retrospectively adopted *Section 4600 - Pension Plans in Part IV - Accounting Standards for Pension Plans* of the Canadian Institute of Chartered Accountants (CICA) Handbook. These standards establish the requirements for the measurement, presentation and disclosure of information in benefit plan financial statements.

The adoption of these standards has resulted in the amended presentation and disclosure of information in the Plan's financial statements, however it did not impact the Plan's changes in net assets available for benefits or the Plan's financial position. For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply *Part II - Accounting Standards for Private Enterprises* of the CICA Handbook, as further described in the significant accounting policies of the Plan (Note 1).

3. Description of Plan

The following description of the Long Term Disability Plan of the Anglican Church of Canada (the "Plan") 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, 2012 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 as 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.

Long Term Disability Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012 and 2011

4. Cash and Cash Equivalents

Included in cash and cash equivalents is \$107,108 (2011 - \$105,000) in a guaranteed investment certificate at 1.4% maturing January 24, 2013 (2011 - 1.3% maturing May 14, 2012).

5. Related Party Transactions

The Pension Office Corporation of the Anglican Church of Canada incurs administrative expenses on behalf of a number of employee benefits plans that are allocated to each of these plans. An amount of \$215,588 plus HST (2011 - \$186,300 plus HST) has been allocated to the Plan 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 related parties at year end:

	2012	2011
General Synod Pension Plan of the Anglican Church of Canada	\$ 1,599	\$ -
Employee Benefits Fund of the Anglican Church of Canada	1,416	-
Pension Office Corporation of the Anglican Church of Canada	9,506	-
	\$ 12,521	\$ -

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

	2012	2011
Long Term Disability Plan Pre-2005 of the Anglican Church of Canada	\$ 3,305	\$ -
Pension Office Corporation of the Anglican Church of Canada	-	339
	\$ 3,305	\$ 339

The Plan has a common Board of Directors/Trustees with the other plans.

6. Investments

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

	2012		2011	
	Cost	Market Value	Cost	Market Value
Letko Brosseau Balanced Fund	\$1,773,430	\$1,739,539	\$ 1,722,481	\$ 1,550,657
Letko Brosseau Equity Fund	699,921	707,595	485,858	405,054
	\$2,473,351	\$2,447,134	\$ 2,208,339	\$ 1,955,711

Long Term Disability Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012 and 2011

7. Actuarial Present Value of Possible Expected Future Claims

The actuarial present value of expected future claims, as prepared by Eckler Ltd. at June 30, 2010 is \$547,700, with corresponding assets with a market value of \$1,952,400. The amounts have not been extrapolated in the current year to the year end date of December 31, 2012.

8. Investment Income (Loss)

	2012	2011
Pooled funds distributions	\$ 70,395	\$ 59,924
Realized gain on sale of investments	3,104	11,320
Unrealized gain (loss) on investments	226,411	(156,252)
Interest income	4,299	1,066
	<u>\$ 304,209</u>	<u>\$ (83,942)</u>

9. 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.

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.

10. Financial Instruments Risks

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):

(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 risk of default on transactions in listed securities is considered minimal, as the trade will fail if either party to the transaction does not meet its obligation. While the Plan may have credit risk with respect to bonds, it manages this risk by investing in investment-grade and government bonds. 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.

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

December 31, 2012 and 2011

10. Financial Instruments Risks (continued)

(a) Credit Risk (continued)

Rating*	2012	2011
AAA/R-1 High	\$ 44,880	\$ 71,330
AA/R-1 Middle	238,491	241,902
A/R-1 Low	157,428	126,223
BBB and below/unrated	56,883	40,317
	<u>\$ 497,682</u>	<u>\$ 479,772</u>

* Numbers are extrapolated based on the percentages in each category for the Letko Brosseau Balanced Fund as per the December 31, 2012 and December 31, 2011 audited financial statements. Credit ratings are obtained from Standard and Poor's, Moody's and Dominion Bond Rating Services.

(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 arises from the possibility that changes in interest rates will affect the fair value of financial instruments. It arises when the Plan invests in interest-sensitive investments such as bonds and other fixed income investments. Should nominal interest rates change by 1%, with all other variables held constant, the average price of these investments would change by approximately \$16,000 (2011 - \$16,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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

December 31, 2012 and 2011

10. Financial Instruments Risks (continued)

(c) Market Risk (continued)

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates. A change of 10% in the the value of the Canadian dollar against all currencies, with all other variables held constant, would result in an approximate change in the Plan's investments of \$124,000 (2011 - \$95,000). The table below indicates the foreign currencies to which the Plan had significant exposure as at in Canadian dollar terms.

Currency*	2012	2011
United States	\$ 664,323	\$ 540,566
United Kingdom	59,232	46,000
Eurozone	406,814	269,994
Asia Pacific	133,619	110,539
Europe - Other	92,401	65,558
Emerging markets	12,236	16,050
Total	\$ 1,368,625	\$ 1,048,707
As % of net assets	44.90%	43.98%

* Numbers are extrapolated based on the percentages in each category for the Letko Brosseau Balanced Fund and Letko Brosseau Equity Fund as per the December 31, 2012 and December 31, 2011 audited financial statements.

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's investment in equity pooled funds are sensitive to market fluctuations. An immediate hypothetical change of 10% in market values will impact these investments by approximately \$195,000 (2011 - \$148,000).

(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.

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

December 31, 2012 and 2011

10. Financial Instruments Risks (continued)

(d) Financial Instruments Fair Value Hierarchy (continued)

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.

	2012			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 521,989	\$ -	\$ -	\$ 521,989
Pooled Balance Fund Investments	1,241,857	497,682	-	1,739,539
Pooled Equity Investments	707,595	-	-	707,595
Total	\$ 2,471,441	\$ 497,682	\$ -	\$ 2,969,123

* Numbers are extrapolated based on the percentages in each category for the Letko Brosseau Balanced Fund and Letko Brosseau Equity Fund as per the December 31, 2012 audited financial statements.

	2011			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 426,075	\$ -	\$ -	\$ 426,075
Pooled Balance Fund Investments	1,070,885	479,772	-	1,550,657
Pooled Equity Investments	405,054	-	-	405,054
Total	\$ 1,902,014	\$ 479,772	\$ -	\$ 2,381,786

* Numbers are extrapolated based on the percentages in each category for the Letko Brosseau Balanced Fund and Letko Brosseau Equity Fund as per the December 31, 2011 audited financial statements.

There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2012 and December 31, 2011.