

**Long Term Disability Plan
Pre-2005 of the Anglican
Church of Canada
Financial Statements**
For the years ended December 31, 2012 and 2011

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Independent Auditor's Report

To the Board of Trustees of the
Long Term Disability Plan Pre-2005 of the Anglican Church of Canada

We have audited the accompanying financial statements of the Long Term Disability Plan Pre-2005 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 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 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.

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 audits 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, decrease 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 Pre-2005 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 ended in accordance with the Canadian accounting standards for pension plans.

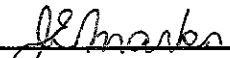
Chartered Accountants, Licensed Public Accountants

Markham, Ontario
May 3, 2013


**Long Term Disability Plan Pre-2005 of the
Anglican Church of Canada
Statements of Financial Position**

December 31	2012	2011
Assets		
Cash	\$ 93,992	\$ 149,432
Investment (Note 4)	-	4,854,438
Accounts receivable	19,100	10,516
Due from related parties (Note 5)	3,305	12,927
	116,397	5,027,313
Liabilities		
Accounts payable and accrued liabilities	\$ 30,918	\$ 17,473
Due to related parties (Note 5)	66,765	-
	97,683	17,473
Net assets available for benefits	\$ 18,714	\$ 5,009,840

On behalf of the Board of Trustees:



Chairperson



Trustee

**Long Term Disability Plan Pre-2005 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 - regular	\$ 416,403	\$ 424,121
- special	-	387,202
Investment income (loss) (Note 6)	49,494	(24,986)
	<u>465,897</u>	<u>786,337</u>
Decrease in net assets		
Claims paid	620,757	840,048
Rehabilitation and medical costs	-	2,613
Less: Rehabilitation and medical costs paid by Employee Benefits Fund of Anglican Church of Canada (Note 5)	-	(2,613)
	<u>620,757</u>	<u>840,048</u>
Expenses		
Actuarial and consulting fees	35,702	70,109
Adjudication costs	31,075	33,900
Administrative (Note 5)	-	70,173
Insurance	-	1,380
Investment management fees	-	17,532
Professional fees	27,397	12,927
	<u>94,174</u>	<u>206,021</u>
Less: Expenditures paid by Employee Benefits Fund of Anglican Church of Canada (Note 5)	-	(188,489)
	<u>94,174</u>	<u>17,532</u>
Decrease in net assets available for benefits before undernoted item	(249,034)	(71,243)
Premium paid to Standard Life (Note 3)	(4,742,092)	-
Decrease in net assets available for benefits	(4,991,126)	(71,243)
Net assets available for benefits, beginning of year	5,009,840	5,081,083
Net assets available for benefits, end of year	\$ 18,714	\$ 5,009,840

**Long Term Disability Plan Pre-2005 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 Plan was developed to provide long term disability benefits for eligible members. In 2004, the Plan was amended to limit eligibility for benefits to claimants, who became disabled and unable to work up to and including December 31, 2004. As described in Note 3, the Plan transferred the liability for benefit payments to Standard Life in exchange for an agreed upon lump sum payment. Payments will continue to be made to benefit recipients by Standard Life.

b. Basis of Presentation

These financial statements have been prepared in accordance with the Canadian accounting standards for pension plans and present the net assets available for benefits of the Plan and changes in net assets available for benefits during the year as a separate reporting entity independent of the sponsors and the Plan members.

c. Funding Policy

The Plan is an employee pay plan where the employees are required to contribute a percentage of their earnings.

d. Revenue Recognition

Contributions of the Plan are accrued in the year of assessment.

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.

Interest income is recognized on a time proportion basis.

f. Use of Estimates

The preparation of financial statements in accordance with the 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.

g. Income Tax Status

The Plan is a Fraternal Benefits Society as defined in the Income Tax Act (Canada) and, as such, the income of the Plan is not subject to income taxes.

Long Term Disability Plan Pre-2005 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 Pre-2005 of the Anglican Church of Canada (the "Plan") is a summary only. For more complete information, reference should be made to the Plan Document.

General

The Plan was an employee pay plan. The amount of premiums was determined by actuaries based on Plan experience. Members of the Plan contributed 0.4% (2011 - 0.4%) of their salaries to the Plan during the year ended December 31, 2012. The special contribution relates to the employees' portion of the experience refund on premiums previously paid to Employees Benefits Plan of the Anglican Church of Canada.

In 2004, the Plan was amended to limit eligibility for benefits to claimants, who became disabled and unable to work up to and including December 31, 2004. A separate entity, Long Term Disability Plan of the Anglican Church of Canada, has been established to provide benefits to claimants who become disabled and unable to work on or after January 1, 2005.

In 2012, the Pension Office Corporation entered into a contract with Standard Life on behalf of the Trustees of the Plan which transfers the liability for benefit payments from the Plan to Standard Life in exchange for an agreed upon lump sum payment. A payment of \$4,742,092 was made on November 8, 2012 to transfer the liability for benefit payments commencing with the November 2012 benefit payment. Payments will continue to be made to benefit recipients by Standard Life until the earlier of age 65 or death.

4. Investment

The prior year investment consisted of a variable rate guaranteed investment certificate at prime less 1.80%.

**Long Term Disability Plan Pre-2005 of the
Anglican Church of Canada
Notes to Financial Statements**

December 31, 2012 and 2011

5. Related Party Transactions

The Pension Office Corporation of the Anglican Church of Canada incurs administrative expenses on behalf of a number of employee benefit plans. An amount of \$Nil plus HST (2011 - \$62,100 plus HST), recorded at its exchange value, has been allocated to the Plan and is included in administrative expenditures.

Effective July 1, 2006, the Board of Trustees approved the payment of all Plan expenditures by the Employee Benefits Fund of the Anglican Church of Canada.

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

	2012	2011
Employee Benefits Fund of the Anglican Church of Canada	\$ -	\$ 12,927
Long Term Disability Plan of the Anglican Church of Canada	3,305	-
	\$ 3,305	\$ 12,927

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

	2012	2011
Employee Benefits Fund of the Anglican Church of Canada	\$ 66,765	\$ -

The Long Term Disability Plan Pre-2005 of the Anglican Church of Canada has a common Board of Directors/Trustees with the other plans.

6. Investment Income (Loss)

Investment income (loss) consists of the following:

	2012	2011
Interest income	\$ 49,494	\$ 6,366
Pooled funds distributions	-	136,455
Realized loss on sale of investments	-	(366,764)
Unrealized gain on held for trading investments	-	198,957
	\$ 49,494	\$ (24,986)

7. 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 significant changes to the Plan's capital management objectives, policies and processes in the year as described in Note 3.

**Long Term Disability Plan Pre-2005 of the
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Notes to Financial Statements**

December 31, 2012 and 2011

8. Financial Instruments Risks

The Plan may be exposed to a variety of financial risks including credit risk, liquidity risk and interest rate 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 Plan has credit risk to the extent that contributions receivable 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 the Plan has insufficient cash flows to meet its obligations as they come due. Cash inflows are derived from employer and contributions and investment income. The majority of the Plan's assets are in cash.

(c) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of the financial instruments. It arises when the Plan invests in interest-sensitive investments such as guaranteed certificate investment.

(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, 2011, the investment held by the Plan was classified as Level 1 within the fair value hierarchy. There were no significant transfers between Level 1 and Level 2 for the years ended December 31, 2012 and 2011.