

**The Pension Office Corporation 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

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

We have audited the accompanying financial statements of The Pension Office Corporation of the Anglican Church of Canada which comprise the balance sheets as at December 31, 2012, December 31, 2011 and January 1, 2011 and the statements of operations, changes in net assets (deficiency) and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 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.

### 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 audit opinion.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the The Pension Office Corporation of the Anglican Church of Canada as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and its cash flows for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

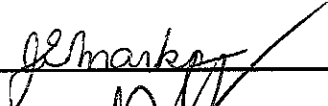
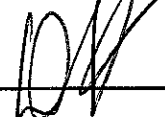
Chartered Accountants, Licensed Public Accountants

Markham, Ontario  
May 3, 2013

**The Pension Office Corporation of the Anglican Church of Canada**  
**Balance Sheets**

|   | December 31<br>2012 | December 31<br>2011 | January 1<br>2011 |
|---|---------------------|---------------------|-------------------|
| <b>Assets</b>                                     |                     |                     |                   |
| <b>Current</b>                                    |                     |                     |                   |
| Cash  | \$ 37,145           | \$ 28,629           | \$ 32,144         |
| Accounts receivable                               | 2,159               | -                   | -                 |
| Due from related parties (Note 3)                 | -                   | 1,358               | 41,586            |
| Prepaid expenses                                  | 58,166              | 57,902              | 68,295            |
|   | 97,470              | 87,889              | 142,025           |
| Capital assets (Note 4)                           | 92,536              | 63,259              | 132,815           |
|   | \$ 190,006          | \$ 151,148          | \$ 274,840        |
| <b>Liabilities and Net Assets</b>                 |                     |                     |                   |
| <b>Current</b>                                    |                     |                     |                   |
| Accounts payable and accrued liabilities (Note 5) | \$ 62,107           | \$ 39,556           | 57,486            |
| Deferred revenue (Note 3)                         | 60,000              | 104,000             | 193,750           |
| Due to related parties (Note 3)                   | 67,899              | 7,592               | 23,604            |
|   | 190,006             | 151,148             | 274,840           |
| <b>Net Assets (deficiency)</b>                    |                     |                     |                   |
| Invested in capital assets                        | 92,536              | 63,259              | 132,815           |
| Unrestricted deficiency                           | (92,536)            | (63,259)            | (132,815)         |
|   | -                   | -                   | -                 |
|   | \$ 190,006          | \$ 151,148          | \$ 274,840        |

On behalf of the Board:

  
 \_\_\_\_\_ Chairperson  
  
 \_\_\_\_\_ Director

# The Pension Office Corporation of the Anglican Church of Canada

## Statements of Operations

| For the year ended December 31         | 2012             | 2011             |
|--|------------------|------------------|
| <b>Revenue</b>                         |                  |                  |
| Administration fees (Note 3)           | \$ 1,539,912     | \$ 1,552,504     |
| Interest income                        | 1,037            | 262              |
| Other income                           | -                | 264              |
|  | <b>1,540,949</b> | <b>1,553,030</b> |
| <b>Expenses</b>                        |                  |                  |
| Amortization                           | 55,328           | 71,525           |
| Computer (Note 8)                      | 137,076          | 142,511          |
| Meetings                               | 34,014           | 33,191           |
| Office and miscellaneous               | 54,554           | 49,314           |
| Printing                               | 5,026            | 6,018            |
| Professional fees (Note 8)             | 14,300           | 11,363           |
| Rent                                   | 90,698           | 89,146           |
| Salaries and benefits                  | 1,145,556        | 1,145,728        |
| Telephone                              | 4,397            | 4,234            |
|  | <b>1,540,949</b> | <b>1,553,030</b> |
| <b>Excess of revenue over expenses</b> | <b>\$ -</b>      | <b>\$ -</b>      |

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

**For the year ended December 31**

|  | Invested in<br>Capital Assets | Unrestricted       | Total<br>2012 |
|--|-------------------------------|--------------------|---------------|
| Balance, beginning of the year                               | \$ 63,259                     | \$ (63,259)        | \$ -          |
| Excess (deficiency) of revenue over expenses<br>for the year | (55,328)                      | 55,328             | -             |
| Additions to capital assets                                  | 84,605                        | (84,605)           | -             |
| Balance, end of the year                                     | <u>\$ 92,536</u>              | <u>\$ (92,536)</u> | <u>\$ -</u>   |

|  | Invested in<br>Capital Assets | Unrestricted       | Total<br>2011 |
|--|-------------------------------|--------------------|---------------|
| Balance, beginning of the year                               | \$ 132,815                    | \$ (132,815)       | -             |
| Excess (deficiency) of revenue over expenses<br>for the year | (71,525)                      | 71,525             | -             |
| Additions to capital assets                                  | 1,969                         | (1,969)            | -             |
| Balance, end of the year                                     | <u>\$ 63,259</u>              | <u>\$ (63,259)</u> | <u>\$ -</u>   |

# The Pension Office Corporation of the Anglican Church of Canada

## Statements of Cash Flows

For the year ended December 31

2012

2011

**Cash provided by (used in)**

**Operating activities**

|   |    |          |    |          |
|---|----|----------|----|----------|
| Excess of revenue over expenses   | \$ | -        | \$ | -        |
| Adjustments to reconcile excess of revenue over expenses to net cash provided by (used in) operating activities |    |          |    |          |
| Amortization  |    | 55,328   |    | 71,525   |
| Changes in non-cash working capital balance   |    |          |    |          |
| Accounts receivable   |    | (2,159)  |    | -        |
| Prepaid expenses  |    | (264)    |    | 10,393   |
| Accounts payable and accrued liabilities  |    | 22,551   |    | (17,930) |
| Deferred revenue  |    | (44,000) |    | (89,750) |

31,456                      (25,762)

**Investing activities**

|                             |          |  |         |  |
|-----------------------------|----------|--|---------|--|
| Purchase of capital assets  | (84,605) |  | (1,969) |  |
| Due to/from related parties | 61,665   |  | 24,216  |  |

61,665                      24,216

**Net change in cash**

8,516                      (3,515)

**Cash, beginning of year**

28,629                      32,144

**Cash, end of year**

\$ 37,145    \$ 28,629

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# The Pension Office Corporation of the Anglican Church of Canada

## Notes to Financial Statements

December 31, 2012 and 2011

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### 1. Summary of Significant Accounting Policies

- a. **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 the Province of Ontario and is engaged in the administration and management of the operations of the various pension and long term disability 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.

- b. **Basis of Accounting**      The Company has prepared its financial statements in accordance with Canadian accounting standards for not-for-profit organizations ("ASNPO").

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

|                        |                               |
|------------------------|-------------------------------|
| Computer software      | - 5 years straight-line basis |
| Computer hardware      | - 5 years straight-line basis |
| Office equipment       | - 5 years straight-line basis |
| Leasehold improvements | - 5 years straight-line basis |

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

- d. **Assets Impairment**          The Corporation monitors events and changes in circumstances which may require an assessment of the recoverability of its long lived assets. If required, the Corporation would assess recoverability using estimated undiscounted future operating cash flows. If the carrying amount of an asset is not recoverable, an impairment loss is recognized in operations, measured by comparing the carrying amount of the asset to its fair value.

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# The Pension Office Corporation of the Anglican Church of Canada

## Notes to Financial Statements

December 31, 2012 and 2011

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### 1. Summary of Significant Accounting Policies (continued)

- e. **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.
- f. **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.
- g. **Income Tax Status** The Corporation is exempt from income tax under section 149(1)(l) of the Income Tax Act.
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### 2. First-time Adoption of Canadian Accounting Standards for Not-for-Profit Organizations

Effective January 1, 2012, the Corporation adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Corporation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO balance sheet at the date of transition of January 1, 2011.

The Corporation issued financial statements for the year ended December 31, 2011 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. There was no impact to net assets and excess of revenue over expenses reported in the Corporation's most recent previously issued financial statements.

The following exemption was used at the date of transition to ASNPO:

#### Estimates

In accordance with ASNPO, the Corporation has applied the mandatory exception from full retrospective application of ASNPO with respect to estimates. Hindsight was not used to create or revise estimates and accordingly the estimates previously made by the Corporation are consistent with their application under ASNPO as of January 1, 2011.



# The Pension Office Corporation of the Anglican Church of Canada

## Notes to Financial Statements

**December 31, 2012 and 2011**

### 3. Related Party Transactions

The Pension Office Corporation of the Anglican Church of Canada derived its administrative fees revenue, excluding HST, from the following:

|   | 2012        | 2011         |
|---|-------------|--------------|
| General Synod Pension Plan of the Anglican Church of Canada         | \$ 846,952  | \$ 807,302   |
| Long Term Disability Plan Pre-2005 of the Anglican Church of Canada | -           | 62,100       |
| Long Term Disability Plan of the Anglican Church of Canada          | 215,588     | 186,300      |
| Continuing Education Plan of the Anglican Church of Canada          | 169,390     | 170,776      |
| Self-Insured Death Benefit Plan of the Anglican Church of Canada    | 46,197      | 62,100       |
| Employee Benefits Fund of the Anglican Church of Canada             | 230,987     | 232,876      |
| Lay Retirement Plan of the Anglican Church of Canada                | 30,798      | 31,050       |
|   | \$1,539,912 | \$ 1,552,504 |

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

At December 31, 2012 the following amounts are owing from related parties:

|  | 2012 | 2011     |
|--|------|----------|
| Long Term Disability Plan of the Anglican Church of Canada       | \$ - | \$ 339   |
| Continuing Education Plan of the Anglican Church of Canada       | -    | 311      |
| Self-Insured Death Benefit Plan of the Anglican Church of Canada | -    | 113      |
| Employee Benefits Fund of the Anglican Church of Canada          | -    | 538      |
| Lay Retirement Plan of the Anglican Church of Canada             | -    | 57       |
|  | \$ - | \$ 1,358 |

At December 31, 2012 the following amounts are owing to related parties:

|   | 2012      | 2011     |
|---|-----------|----------|
| General Synod Pension Plan of the Anglican Church of Canada         | \$ 37,344 | \$ 7,592 |
| Long Term Disability Plan Pre-2005 of the Anglican Church of Canada | -         | -        |
| Long Term Disability Plan of the Anglican Church of Canada          | 9,506     | -        |
| Continuing Education Plan of the Anglican Church of Canada          | 7,469     | -        |
| Self Insured Death Benefit Plan of the Anglican Church of Canada    | 2,037     | -        |
| Employee Benefits Fund of the Anglican Church of Canada             | 10,185    | -        |
| Lay Retirement Plan of the Anglican Church of Canada                | 1,358     | -        |
|   | \$ 67,899 | \$ 7,592 |

# The Pension Office Corporation of the Anglican Church of Canada

## Notes to Financial Statements

December 31, 2012 and 2011

### 3. Related Party Transactions (continued)

At December 31, 2012 administrative revenue prepaid by related parties were included in deferred revenue:

|  | 2012      | 2011       |
|--|-----------|------------|
| Employee Benefits Fund of the Anglican Church of Canada    | \$ 60,000 | \$ 60,000  |
| Continuing Education Plan of the Anglican Church of Canada | -         | 44,000     |
|  | \$ 60,000 | \$ 104,000 |

### 4. Capital Assets

|                        | 2012       |                             | 2011       |                             |
|------------------------|------------|-----------------------------|------------|-----------------------------|
|                        | Cost       | Accumulated<br>Amortization | Cost       | Accumulated<br>Amortization |
| Computer software      | \$ 393,927 | \$ 321,485                  | \$ 329,945 | \$ 282,567                  |
| Computer hardware      | 26,258     | 11,948                      | 30,532     | 22,442                      |
| Office equipment       | 5,109      | 2,773                       | 2,645      | 1,751                       |
| Leasehold improvements | 17,243     | 13,795                      | 17,243     | 10,346                      |
|                        | 442,537    | 350,001                     | 380,365    | 317,106                     |
| Net book value         |            | \$ 92,536                   |            | \$ 63,259                   |

### 5. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities are government remittances owing including federal and provincial sales taxes of \$27,126 (2011 - \$17,341).

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# The Pension Office Corporation of the Anglican Church of Canada

## Notes to Financial Statements

**December 31, 2012 and 2011**

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### 6. Commitments

The Corporation is committed to pay quarterly amounts of approximately \$26,000 for the development and ongoing use of the administration system until December 31, 2016.

In 2009, the Corporation entered into an operating lease for its premises with monthly payments of \$3,354 beginning on February 1, 2009, increasing to monthly payments of \$3,755 on December 1, 2013 until expiration of the lease on November 30, 2018. Additional rent has been estimated to be approximately \$42,694 per annum for various operating costs.

The minimum annual payments are as follows:

|            |    |                |
|------------|----|----------------|
| 2013       | \$ | 83,520         |
| 2014       |    | 87,926         |
| 2015       |    | 87,926         |
| 2016       |    | 87,926         |
| 2017       |    | 87,926         |
| Thereafter |    | <u>84,171</u>  |
|            | \$ | <u>519,395</u> |

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### 7. 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 \$108,957 (2011 - \$110,062) during the year.

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### 8. Expenses

|                            | 2012              | 2011              |
|----------------------------|-------------------|-------------------|
| Computer                   |                   |                   |
| License - seclonLogic Inc. | \$ 114,845        | \$ 106,500        |
| Maintenance                | <u>22,231</u>     | <u>36,011</u>     |
|                            | <u>\$ 137,076</u> | <u>\$ 142,511</u> |
| Professional Fees          |                   |                   |
| Audit - BDO Canada LLP     | \$ 14,300         | \$ 11,084         |
| Legal - Norton Rose LLP    | <u>-</u>          | <u>279</u>        |
|                            | <u>\$ 14,300</u>  | <u>\$ 11,363</u>  |

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# The Pension Office Corporation of the Anglican Church of Canada

## Notes to Financial Statements

December 31, 2012 and 2011

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### 9. Financial Instruments

#### 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 and amounts due from related parties are subject to credit risk. The Corporation limits its exposure to this risk by maintaining cash with major financial institutions. Management does not believe its exposure to credit risk is significant with related parties due to their credit worthiness.

#### 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, due to related parties and commitments.