

# **Canadian Council of Christian Charities Employees Pension Plan**

Financial Statements  
**December 31, 2011**



March 5, 2012

## **Independent Auditor's Report**

### **To the Trustees of Canadian Council of Christian Charities Employees Pension Plan**

We have audited the accompanying financial statements of the Canadian Council of Christian Charities Employees Pension Plan, which comprise the statement of net assets as at December 31, 2011 and the statement of changes in net assets for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Trustees' responsibility for the financial statements**

The Trustees are 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 audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



We believe that the audit evidence we have obtained 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 net assets of the Canadian Council of Christian Charities Employees Pension Plan as at December 31, 2011 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.

**Comparative information**

Without modifying our opinion, we draw attention to note 2 to the financial statements, which describes that the Canadian Council of Christian Charities Employees Pension Plan adopted Canadian accounting standards for pension plans on January 1, 2011 with a transition date of January 1, 2010. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of net assets as at December 31, 2010 and January 1, 2010, and the statements of changes in net assets available for benefits and changes in pension obligations for the year ended December 31, 2010 and related disclosures. We were not engaged to report on the restated comparative information, and, as such, it is unaudited.

*PricewaterhouseCoopers LLP*

**Chartered Accountants, Licensed Public Accountants**

# Canadian Council of Christian Charities Employees Pension Plan

## Statement of Net Assets

As at December 31, 2011

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	2011 \$	2010 \$ (unaudited) (note 2)
<b>Assets</b>		
<b>Current assets</b>		
Cash	46,968	52,885
Accounts receivable from member organizations	214,760	207,606
Other accounts receivable	10,585	9,700
	<hr/>	<hr/>
	272,313	270,191
<b>Investments</b> (note 5)	<hr/>	<hr/>
	23,204,399	26,444,299
	<hr/>	<hr/>
	23,476,712	26,714,490
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<hr/>	<hr/>
	20,786	16,152
<b>Net assets</b>		
Available for benefits	23,418,582	26,651,015
Available for future expenses	<hr/>	<hr/>
	37,344	47,323
	<hr/>	<hr/>
	23,455,926	26,698,338
	<hr/>	<hr/>
<b>Total liabilities and net assets</b>	<hr/>	<hr/>
	23,476,712	26,714,490

Approved on behalf of the Trustees



Trustee



Trustee

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

# Canadian Council of Christian Charities Employees Pension Plan

## Statement of Changes in Net Assets

For the year ended December 31, 2011

	2011 \$	2010 \$ (unaudited) (note 2)
<b>Investment activities</b>		
<b>Expenses</b>		
Investment management fees	200,909	203,043
Administration fees (note 6)	27,461	27,353
Audit	8,800	7,492
Consulting fees	29,379	26,822
Filing fee - Ontario	10,793	8,467
Insurance	8,910	8,738
Membership communication	2,487	6,082
Sundry	1,096	1,602
Trustee meetings	4,249	4,318
	<u>294,084</u>	<u>293,917</u>
<b>Increase in market value of investments</b> (note 5)	<u>284,020</u>	<u>1,878,485</u>
<b>Net (loss) gain from investment activity</b>	<u>(10,064)</u>	<u>1,584,568</u>
<b>Members' activities</b>		
Contributions	2,500,857	2,561,373
Funds transferred in	939,844	700,958
Withdrawals (note 8)	(6,673,049)	(2,864,425)
<b>Net (withdrawals) contributions</b>	<u>(3,232,348)</u>	<u>397,906</u>
<b>Increase (decrease) in net assets</b>	<u>(3,242,412)</u>	<u>1,982,474</u>
<b>Distribution of increase (decrease) in net assets</b>		
Net assets available for benefits - Beginning of year	26,651,015	24,677,884
Increase (decrease) in net assets allocated for benefits	(3,232,433)	1,973,131
Net assets available for benefits - End of year	<u>23,418,582</u>	<u>26,651,015</u>
Net assets available for future expenses - Beginning of year	47,323	37,980
Increase (decrease) in net assets available for future expenses	(9,979)	9,343
Net assets available for future expenses - End of year	<u>37,344</u>	<u>47,323</u>

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

# Canadian Council of Christian Charities Employees Pension Plan

## Notes to Financial Statements

December 31, 2011

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### 1 Description of plan

The following description of the Canadian Council of Christian Charities Employees Pension Plan is a summary only. For more complete information, reference should be made to the Canadian Council of Christian Charities Employees Pension Plan's Declaration of Trust and its Plan Text.

#### General

The Canadian Council of Christian Charities Employees Pension Plan is a multi-employer defined contribution pension plan governed by a trust agreement dated October 1, 1982 as amended from time to time. The plan is registered with the Financial Services Commission of Ontario and with Canada Revenue Agency under registration number 0446773.

Funds of the plan are held in trust by Trustees appointed by Canadian Council of Christian Charities and are invested in segregated funds and guaranteed investment instruments selected by the Trustees, in accordance with the investment policy set by the Trustees. Each member of the plan individually allocates the funds in their personal account to the Trustee selected segregated funds and guaranteed investment instruments.

The Trustees have engaged Canadian Council of Christian Charities as overall administrator.

Great West Life Group Retirement Services ("GRS") has been appointed as the record-keeper by the Trustees to provide certain member services (statements, on-line account information and other general and educational information) and to manage the segregated funds and guaranteed investment instruments. GRS also provides day-to-day administration including the allocation of earnings to the members' accounts.

The Pension Plan also engages the services of pension consultants for plan design and performance measurement advice.

#### Income taxes

The plan is a Registered Pension Trust as defined by the Income Tax Act and is not subject to income taxes.

### 2 Significant accounting policies

#### Basis of accounting and adoption of Canadian accounting standards for pension plans

In 2010, the CICA Handbook – Accounting was revised to create Part IV Canadian accounting standards for pension plans, to incorporate therein Section 4600 Pension Plans and to require pension plans to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the plan established accounting policies and commenced reporting on this basis as is further described below. These financial statements are prepared on a going concern basis and present the information of the plan as a separate financial reporting entity independent of the sponsor and plan members. In these financial statements, the term Canadian GAAP refers to Canadian generally accepted accounting principles before the adoption of CICA Section 4600. The Plan has elected to apply Accounting Standards for Private enterprises in Part II of the CICA Handbook for its

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accounting policies not related to its investment portfolio or pension obligation. There were no changes to the opening net assets as at January 1, 2010 or to the increase in net assets for the year ended December 31, 2010.

Because the financial statements as at, and for the year ended, December 31, 2010 were initially prepared under Canadian GAAP, the comparative figures in these financial statements are required to be labeled as unaudited.

### **Investments**

Investments are stated at year-end market value.

### **Assets available for future expenses**

The Canadian Council of Christian Charities Employees Pension Plan maintains assets which are available for future expenses of the plan. The assets available for future expenses are monitored and limited in accordance with Trustee approved policy and excess funds will be returned to the assets available for benefits in accordance with the Trustee approved policy.

## **3 Financial instruments risk management**

The objective of the plan is to achieve medium to long-term growth of its investment portfolio to provide plan members with growth in their pension benefits.

The plan's assets are invested in Canadian, American and International equities, balanced funds, fixed income funds, and money market funds (see note 5 for details). These investment choices and allocations are made by the plan members, via their personal accounts, from an approved list of investment options established by the Trustees.

The approved list of investment options must comply with the investment policy, as set out in the Statement of Investment Policies and Procedures established and monitored by the Trustees. This list is reviewed semi-annually by the Trustees. Divergence from target asset allocation and the composition of the portfolio is monitored daily by the plan's Investment Managers.

The day-to-day administration of the plan's assets and members' accounts are managed by the plan's contracted record keeper, GRS.

The Trustees, with assistance from the plan's Consultant and management, oversee how management monitors compliance with the plan's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the plan.

The plan's assets are exposed to a variety of financial risks: market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

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### **Market risk**

The plan's investments are susceptible to market risk which is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The plan's market risk is affected by changes in the level or volatility of market rates or prices, such as interest rates, foreign exchange rates and equity prices.

#### *Interest rate risk*

The plan is subject to cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates on interest rate sensitive investments. The interest bearing investment portfolio has guidelines on concentration, duration and distribution which are designed to mitigate the risk of interest rate volatility.

#### *Currency risk*

The plan holds assets denominated in currencies other than the Canadian dollar, the functional currency. It is therefore exposed to currency risk as the value of the financial instruments denominated in other currencies will fluctuate due to the changes in exchange rates.

#### *Other price risk*

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because 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 the market.

### **Credit risk**

The plan takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The plan assesses all counterparties for credit risk before contracting with them.

### **Liquidity risk**

Liquidity risk is the risk that the plan may be unable to meet payment obligations in a timely manner at a reasonable cost. Management of liquidity seeks to ensure that, even under adverse conditions, the plan has access to immediate cash necessary to cover benefits payable, withdrawals and other liabilities.

## **4 Investment fair value measurement**

The following classification of investments is intended to describe the objectivity with which the fair value of investments are measured and is not intended to describe the associated risk levels of the investments.

Investments are classified within a hierarchy that prioritizes the inputs to fair value measurement. The hierarchy places the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to inputs not based on observable market data (Level 3). The three levels of the fair value hierarchy are:

# Canadian Council of Christian Charities Employees Pension Plan

## Notes to Financial Statements

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- Level 1 - unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs that are observable for the assets or liabilities either directly or indirectly; and
- Level 3 - inputs for assets or liabilities that are not based on observable market data.

The Pension Plan's investments are entirely composed of investments funds, which are classified as Level 2. Funds are valued at the unit values supplied by the investment managers, net of expenses charged to the funds, which represent the underlying net assets available for benefits at fair value, determined using closing market prices, divided by the number of units outstanding. This is the value at which units of the funds can be redeemed or subscribed to by the Plan members as at the reporting date. There has been no change in the valuation methodology during the year ended December 31, 2011.

### 5 Investments

The following schedule shows the changes in fund segments and total investments from January 1, 2011 to December 31, 2011. Investments are carried at market value.

The increase in market value of investments reflected in the statement of changes in net assets available for benefits includes interest, dividends and realized and unrealized capital gains and losses from the units held in the investment manager's funds and guaranteed instruments.

Certain components of the investment management fees for 2011 include GST of which a third is claimed as a rebate.

	Fund Value January 1 2011 \$	Net Investments and/or Interfund Transfers \$	Increase in Market Value \$	Expenses Charged to Fund \$	Fund Value December 31 2011 \$
<b>Funds -</b>					
Balanced	18,737,660	(2,695,614)	380,458	(212,548)	16,209,956
Canadian Equities	3,482,963	(537,449)	(182,578)	(35,755)	2,727,181
Fixed Income	1,548,720	30,568	130,073	(22,121)	1,687,240
Money Market	504,827	31,121	6,880	(5,473)	537,355
Socially Responsible	76,081	31,860	1,654	(1,230)	108,365
American Equities	103,407	10,716	(1,412)	(1,459)	111,252
International Equities	422,074	(83,773)	(33,690)	(3,942)	300,669
Ethics Equities	750,204	(94,907)	(39,160)	(7,622)	608,515
<b>Guaranteed Instruments</b>	818,363	77,666	21,795	(3,958)	913,866
	26,444,299	(3,229,812)	284,020	(294,108)	23,204,399
2010	24,411,164	448,567	1,878,485	(293,917)	26,444,299

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## 6 Related party transactions

Administration fees of \$27,461 (2010 - \$27,353) were paid by the pension plan to the Canadian Council of Christian Charities.

## 7 Management of capital

The capital of the plan is represented by the net assets available for benefits. The plan's objective when managing the capital is to safeguard the ability to continue as a going concern in order to maintain adequate assets to support investment activities of the plan.

Management monitors capital on the basis of the value of net assets available for benefits.

## 8 Withdrawals

During the year one of the Participating Employers in the Plan received approval from the Financial Services Commission of Ontario (FSCO) to transfer out their employees' accounts, in full, from the Plan as part of setting up their own independent plan. As a result of this approval \$2,784,977 was transferred out of the Plan and has been recorded in the Statement of Changes in Net Assets as a withdrawal.

