

Financial Statements of

**CANADIAN COUNCIL OF CHRISTIAN
CHARITIES EMPLOYEES PENSION PLAN**

Year ended December 31, 2016



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Canadian Council of Christian Charities Employees Pension Plan, which comprise the statement of financial position as at December 31, 2016, the statement of changes in net assets for the year then ended, and notes, comprising 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 the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 our 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, we consider 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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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 financial position of Canadian Council of Christian Charities Employees Pension Plan as at December 31, 2016, and the changes in its net assets for the year then ended in accordance with Canadian accounting standards for pension plans.

Comparative information

The financial statements of Canadian Council of Christian Charities Employees Pension Plan as at and for the year ended December 31, 2015 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 15, 2016.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

May 16, 2017
Waterloo, Canada

CANADIAN COUNCIL OF CHRISTIAN CHARITIES EMPLOYEES PENSION PLAN

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Cash	\$ 65,137	\$ 39,075
Contributions receivable		
Employee	93,647	88,252
Employer	191,504	190,804
Other accounts receivable	4,081	15,962
Investments (note 4)	43,025,319	39,215,435
Liabilities		
Accounts payable and accrued liabilities	22,291	18,959
Net assets	\$ 43,357,397	\$ 39,530,569

Net assets

Net assets available for benefits	\$ 43,310,471	\$ 39,494,492
Net asset available for future expenses	46,926	36,077
Net assets	\$ 43,357,397	\$ 39,530,569

See accompanying notes to financial statements.

On behalf of the Trustees:



CANADIAN COUNCIL OF CHRISTIAN CHARITIES

EMPLOYEES PENSION PLAN

Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative information for 2015

	2016	2015
Net assets increased (decreased) by:		
Employer contributions:		
Current service	\$ 2,274,067	\$ 2,203,432
Employee contributions		
Required	911,354	878,577
Voluntary	156,027	116,792
Transfers from other plans	2,380,776	2,133,779
	<u>3,448,157</u>	<u>3,129,148</u>
Benefits and transfers		
Benefits paid	(517,835)	(436,408)
Transfers to other plans	(4,050,156)	(3,920,433)
	<u>(4,567,991)</u>	<u>(4,356,841)</u>
Administrative expenses (note 5)	(376,405)	(371,662)
Realized and unrealized gains on investments	3,049,000	2,350,097
Increase in net assets	<u>3,826,828</u>	<u>2,954,174</u>
Net assets, beginning of year	39,530,569	36,576,395
Net assets, end of year	<u>\$ 43,357,397</u>	<u>\$ 39,530,569</u>
Increase in net assets represented by:		
Net assets available for benefits	\$ 3,815,979	\$ 2,957,744
Net assets available for future expenses	10,849	(3,570)
	<u>\$ 3,826,828</u>	<u>\$ 2,954,174</u>

See accompanying notes to financial statements.

CANADIAN COUNCIL OF CHRISTIAN CHARITIES EMPLOYEES PENSION PLAN

Notes to Financial Statements

Year ended December 31, 2016

1. Description of the Plan:

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

General

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

2. Basis of presentation:

(a) Basis of presentation:

As permitted by the Financial Services Commission of Ontario under Section 76 of the Regulation to the Pension Benefits Act (Ontario), the financial statements have been prepared in accordance with Canadian accounting standard for pension plans. Accounting policies that do not relate to the Plan's investment portfolio or pension obligation comply with Canadian accounting standards for private enterprises.

The Plan is a defined contribution plan. For a defined contribution pension plan, premium benefits are determined by the employer's and employees' contributions and the performance of the plan. Actuarial valuations are not required as the pension obligation equals the net assets available for benefits.

CANADIAN COUNCIL OF CHRISTIAN CHARITIES

EMPLOYEES PENSION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Basis of presentation (continued):

(a) Basis of presentation (continued):

A statement of changes in pension obligations has not been provided, since the change in the pension obligation for the year is equal to the change in net assets available for benefits for that year.

(b) Basis of measurement:

The financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value through the statement of changes in net assets available for benefits.

(c) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position and the reported amounts in the changes in assets during the year. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant accounting policies:

(a) Financial assets and financial liabilities:

(i) Financial assets:

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statement of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statement of changes in net assets available for benefits.

Other financial assets are measured at amortized cost.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Plan neither transfers nor retains substantially all the risks and rewards of ownership and does not retain control of the financial asset.

CANADIAN COUNCIL OF CHRISTIAN CHARITIES EMPLOYEES PENSION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Significant accounting policies (continued):

(a) Financial assets and financial liabilities (continued):

(i) Financial assets (continued):

On derecognition of a financial asset, the difference between the carrying amount of the asset, and consideration received is recognized in the statement of changes in net assets available for benefits as a net realized gain on sale of investments. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(ii) Financial liabilities:

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

(b) Fair value measurement:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of investments are determined as follows:

Guaranteed interest accounts are recorded at cost plus accrued interest income.

Investments in the pooled segregated funds are valued at market. The unit values of the segregated funds are calculated by dividing the net assets value of the funds by the number of units outstanding. Pooled segregated fund investments are valued at the unit values supplied by the investment manager of those funds.

The realized and unrealized gains on investments includes interest income on guaranteed interest accounts, realized gains/losses on sale of units of the segregated funds and unrealized market appreciation/depreciation of the segregated funds.

(c) Benefits and transfers

Lump-sum payments or terminations out of the Plan are accounted for in the period in which the election to effect such payment or transfer is made, or the period of termination where such election is made prior to the end of the year.

(d) Income taxes:

The Plan is a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly, is not subject to income taxes.

CANADIAN COUNCIL OF CHRISTIAN CHARITIES EMPLOYEES PENSION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2016

4. Investments

The Plan holds units in various pooled funds administered by Great West Life. The investments held by the Plan, and the changes in fund segments and total investments are summarized as follows:

	2016				
	Fund value January 1, 2016	Net investment in fund	Increase in market value	Expenses charged to fund	Fund value December 31 2016
Balanced	\$ 27,867,751	\$ 792,494	\$ 1,958,046	\$ (272,600)	\$ 30,345,691
Canadian equity	4,194,048	10,918	762,915	(44,230)	4,923,651
Fixed income	1,899,603	(119,000)	49,475	(15,439)	1,814,639
Money market	672,152	328,358	5,329	(7,167)	998,672
SRI balanced	298,235	13,553	22,508	(2,507)	331,789
American equity	1,673,459	(123,448)	58,736	(13,572)	1,595,175
International equity	852,556	(65,218)	65,928	(9,981)	843,285
SRI Canadian equity	811,983	(72,232)	111,890	(7,185)	844,456
Guaranteed investments	945,648	371,864	14,173	(3,724)	1,327,961
	\$ 39,215,435	\$ 1,137,289	\$ 3,049,000	\$ (376,405)	\$ 43,025,319
	2015				
	Fund value January 1 2015	Net investment in fund	Increase in market value	Expenses charged to fund	Fund value December 31 2015
Balanced	\$ 25,880,726	\$ 160,686	\$ 2,095,313	\$ (268,974)	\$ 27,867,751
Canadian equity	4,177,776	160,845	(104,094)	(40,479)	4,194,048
Fixed income	2,068,421	(210,028)	58,679	(17,469)	1,899,603
Money market	546,328	127,101	4,048	(5,325)	672,152
SRI balanced	255,977	32,324	12,405	(2,471)	298,235
American equity	934,583	527,264	227,002	(15,390)	1,673,459
International equity	668,375	135,629	59,109	(10,557)	852,556
SRI Canadian equity	803,414	32,674	(16,638)	(7,467)	811,983
Guaranteed investments	918,400	16,505	14,273	(3,530)	945,648
	\$ 36,254,000	\$ 983,000	\$ 2,350,097	\$ (371,662)	\$ 39,215,435

CANADIAN COUNCIL OF CHRISTIAN CHARITIES

EMPLOYEES PENSION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Administrative expenses:

	2016	2015
Investment management fees	\$ 266,599	\$ 221,693
Administration fees	42,927	56,700
Consulting fees	29,532	31,313
Insurance	13,986	13,986
Filing fee – Ontario	9,641	8,068
Audit	7,172	8,729
Trustee meetings	4,739	4,497
Membership communications	1,000	2,604
Sundry	809	2,339
Legal	-	21,733
	\$ 376,405	\$ 371,662

6. Related party transactions:

Administration fees of \$42,927 (2015 - \$56,700) were paid by the Plan to Canadian Council of Christian Charities.

7. Financial instruments:

The assets of the plan (as outlined in note 4) are held in individual Member accounts held under the Plan. The asset mix of each Member account is the sole responsibility of the Member.

(a) Fair value:

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining fair value.

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Plan's investments were classified as Level 2 as at December 31, 2016.

There were no transfers of investments between levels during the year.

CANADIAN COUNCIL OF CHRISTIAN CHARITIES EMPLOYEES PENSION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2016

7. Financial instruments (continued):

(b) Associated risks:

(i) Market risk:

In this defined contribution pension plan, the members direct the investment decisions for the assets in their accounts. As a result, the Plan does not provide the quantitative sensitivity analysis disclosure for market risk.

(ii) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Plan maintains cash on hand for liquidity purposes and to pay administrative expenses and professional fees payable. At December 31, 2016, the Plan had cash in the amount of \$65,137 (2015 - \$39,075).

(iii) Credit risk

Credit risk is the risk of financial loss as a result of the Plan's counterparties not being able to meet payment obligations as they become due. The Plan's credit risk concentration is spread among guaranteed interest accounts and investments in pooled segregated fund units.

8. Capital management:

The main objective of the Plan is to assist eligible employees in accumulating savings for their retirement. The Plan fulfills its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures (the "SIPP"), which is reviewed annually by the Plan Administrator, including the offering of a diversified selection of investment alternatives to its members. The Plan manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the instructions provided by the respective Plan members.

Although there are no regulatory requirements relating to the level of net assets, the Plan is required to file annual financial statements with the Financial Services Commission of Ontario, under Section 76 of the Regulations to the Pension Benefits Act (Ontario).

CANADIAN COUNCIL OF CHRISTIAN CHARITIES EMPLOYEES PENSION PLAN

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Statutory disclosure:

The following information is provided in respect of individual investments with a cost or fair value in excess of 1% of the cost or fair value of the Plan, as required by Section 76 of Regulation to the Pension Benefits Act (Ontario):

Fund name	Fund operator	Nature of investments held	Fair value
Balanced	Jarislowky Fraser	Equity and bonds	30,345,691
Canadian equity	Jarislowky Fraser	Canadian equities	4,923,651
Fixed income	MFS Investment Management	Canadian bonds	1,814,639
Money market	MFS Investment Management	Canadian money market	998,672
American equity	MFS Investment Management	U.S. equities	1,595,175
International equity	Sprucegrove Investment Management	International equities	843,285
SRI Canadian Equity	Great West Life Investment Management	Canadian equities	844,456