

**Lay Retirement Plan of the
Anglican Church of Canada
Financial Statements**
For the year ended December 31, 2012

Contents

Independent Auditor's Report	2
Financial Statements	
Statement of Financial Position	3
Statement of Changes in Net Assets Available for Benefits	4
Notes to Financial Statements	5-10



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
Lay Retirement Plan of the Anglican Church of Canada

We have audited the accompanying financial statements of the Lay Retirement Plan of the Anglican Church of Canada (the "Plan"), which comprise the statement of financial position as at December 31, 2012, and the statement of changes in net assets available for benefits for the year 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 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.

We believe that the audit evidence we have obtained 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. Accordingly, our verification of contribution revenue was limited to the amounts recorded in the records of the Lay Retirement Plan and we were not able to determine whether any adjustments might be necessary to contribution revenue and changes in net assets available for benefits for the years ended December 31, 2012 and 2011, assets as at December 31, 2012 and 2011 and net assets available for benefits as at January 1 and December 31 for both the 2012 and 2011 years. Our audit opinion on the financial statements for the year ended December 31, 2011 was modified accordingly because of the possible effects of this limitation in scope.

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 Lay Retirement Plan of the Anglican Church of Canada as at December 31, 2012, and the changes in its net assets available for benefits for the year then ended in accordance with Canadian accounting standards for pension plans.


Chartered Accountants, Licensed Public Accountants

Markham, Ontario
May 3, 2013

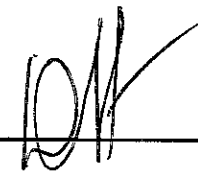
**Lay Retirement Plan of the Anglican Church of Canada
Statement of Financial Position**

December 31	2012	2011
Assets		
Cash	\$ 28,776	\$ 10,690
Investments (Note 2)	34,611,248	32,334,980
Contributions receivable		
Employers	36,670	44,477
Members	36,660	44,777
Accounts receivable	8,648	6,525
Due from related party (Note 3)	1,358	-
	34,723,360	32,441,449
Liabilities		
Accounts payable and accrued liabilities	12,762	11,274
Due to related party (Note 3)	-	57
	12,762	11,331
Net assets available for benefits	\$ 34,710,598	\$ 32,430,118

On behalf of the Board of Trustees:



Chairperson



Trustee

Lay Retirement Plan of the Anglican Church of Canada
Statement of Changes in Net Assets Available for Benefits

<u>For the year ended December 31</u>	<u>2012</u>	<u>2011</u>
Increase in net assets		
Contributions		
Employer	\$ 1,237,102	\$ 1,214,243
Member	1,236,857	1,213,000
Voluntary Member	<u>11,844</u>	<u>11,292</u>
	2,485,803	2,438,535
Investment income (Notes 4, 5(c))	<u>2,290,789</u>	<u>94,428</u>
Total increase in net assets	<u>4,776,592</u>	<u>2,532,963</u>
Decrease in net assets		
Pension and death benefits	256,656	170,064
Withdrawal and terminations	2,187,360	2,203,968
Administrative expenses (Note 5(c))	<u>52,096</u>	<u>81,353</u>
Total decrease in net assets	<u>2,496,112</u>	<u>2,455,385</u>
Net increase in net assets	2,280,480	77,578
Net assets available for benefits, beginning of year	<u>32,430,118</u>	<u>32,352,540</u>
Net assets available for benefits, end of year	<u>\$ 34,710,598</u>	<u>\$ 32,430,118</u>

Lay Retirement Plan of the Anglican Church of Canada

Notes to the Financial Statements

December 31, 2012

1. Significant Accounting Policies

a. Nature and Purpose of the Plan

The Plan is a defined contribution pension plan covering lay employees of the Participating Employers affiliated with the Anglican Church of Canada who are not entitled to participate in the General Synod Pension Plan of the Anglican Church of Canada ("General Synod Pension Plan"). Under the Plan, contributions are made by the Plan members and their participating employers.

b. Basis of Presentation

These financial statements are prepared on the going concern basis in accordance with Canadian accounting standards for pension plans and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the participating employers and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

c. Investments

Investments are primarily in pooled funds and are stated at fair value. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits as investment income.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Plan's proportionate share of underlying net assets at fair values determined using closing market prices.

The fair value of all other investments is based on closing quoted market prices. The Plan accounts for its investments in accordance with *International Financial Reporting Standards (IFRS) 13* with respect to the fair value measurement of its investments.

Net realized gains or losses on the sale of investments are calculated on a weighted average cost basis. Interest income is recognized on a time proportion basis and dividend income is recognized on the dividend date of record.

Lay Retirement Plan of the Anglican Church of Canada

Notes to the Financial Statements

December 31, 2012

1. Significant Accounting Policies (continued)

d. Fund Policy

The Plan is funded by contributions of 10% of the member's salary, 5% being paid by the employee and 5% by the employer. The employee is allowed to make additional unmatched voluntary contributions. Contributions are recognized in the financial statements on the accrual basis for salaries reported by the employer up to, and including, the December 2012 work month to the extent that these contributions are reported by the date of the auditor's report.

Required contributions to the Plan are accrued in the year of assessment. Other contributions are recorded when received.

e. 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.

f. Income Tax Status

The Plan is exempt from tax under section 149(1)(o) of the Income Tax Act (Canada).

Lay Retirement Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012

2. Investments

Investments consist of the following:

	2012	2011
Guaranteed Investment Certificates	\$ 1,545,417	\$ 1,433,715
Pooled Funds		
Money market	641,989	753,199
Fixed income	2,260,080	1,808,950
Balanced	30,163,762	28,339,116
	\$ 34,611,248	\$ 32,334,980

The market value of the following investments exceeds 1% of the market value of the total Plan investments as at December 31, 2012:

	2012	2011
Guaranteed Investment Certificates		
1 year compound interest account	\$ 817,596	\$ 755,187
5 year compound interest account	385,159	358,932
Other Guaranteed Investment Certificates (less than 1%)	342,662	319,597
Pooled Funds		
McLean Budden Fixed Income Fund	2,260,080	1,808,950
McLean Budden Money Market Fund	641,989	753,199
Continuum Conservative Module (Balanced)	1,588,445	850,050
Continuum Moderate Module (Balanced)	7,400,322	6,169,939
Continuum Balanced Module (Balanced)	19,296,779	19,662,675
Continuum Advanced Module (Balanced)	918,839	848,354
Continuum Aggressive Module (Balanced)	959,377	808,097
	\$ 34,611,248	\$ 32,334,980

The Pension Benefits Act, 1990 (Ontario) requires disclosure of the market and book value of each category of investment (unless book values are not maintained in which case carrying values are to be disclosed), realized and unrealized gains or losses on total investments, and investment income by category of investment. Because of the nature of the funds, the fund manager is unable to provide book values, realized and unrealized gains or losses, and investment income by category, and therefore, no disclosure of this information is provided in these financial statements.

Lay Retirement Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012

3. 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 \$30,798 plus HST (2011 - \$31,050 plus HST), recorded at its exchange value, has been allocated to the Plan and is included in administrative expenses.

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

	<u>2012</u>	<u>2011</u>
Pension Office Corporation of the Anglican Church of Canada	\$ 1,358	\$ (57)

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

4. Investment Income

Investment income relates to the market value increase (decrease) of pooled fund investments and interest earned on Guaranteed Investment Certificates.

5. Statutory Information

Pursuant to the Pension Benefits Act, 1990, the following information is disclosed:

(a) Pension Plan Registration

The Plan is registered under number 1026509.

(b) Description of Plan Benefits

The Plan provides various alternatives on termination. An individual can transfer their balance owing to them to a Locked-in Retirement Account, a Locked-in Retirement Income Fund, a Life Income Fund, another registered pension plan or purchase an immediate or deferred pension from an insurance company. Upon death, a refund is payable to the partner or the named beneficiary. Members should refer to the Plan Regulations for full details.

Lay Retirement Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012

5. Statutory Information (continued)

(c) Recipients of professional fees (included in administrative expenses) are as follows:

	2012	2011
Insurance		
Cade Associates	\$ 2,282	\$ 2,281
Audit		
BDO Canada LLP	\$ 9,108	\$ -
- 2012		
- 2011	-	9,108
	\$ 9,108	\$ 9,108
Consulting		
Mercer Investment Consulting	\$ 1,921	\$ 26,329

Great West Life charges annual investment management fees in the range of 0.80% to 1.15% (2011 - 0.846% to 1.194%) of the average daily market value of fund balances. The fees are included as an offset to investment income.

6. Capital Disclosure

The Plan considers its capital to consist of net assets available for benefits. The Plan's objective when managing capital is to accumulate funds for the provision of retirement benefits to pension plan members. The Plan's ability to meet this goal is affected by the level of benefits provided and contributions required under the Plan, and by the prudent and effective management of the Plan's assets.

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.

7. Financial Risk Management

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). As the investments in the Plan are chosen by the individual members, risk is primarily managed by the members, as the members select investments based on their risk tolerance level.

Lay Retirement Plan of the Anglican Church of Canada

Notes to Financial Statements

December 31, 2012

7. Financial Risk Management (continued)

a) Market Risk

Market risk is the risk that the value of an investment changes as a result of market conditions. Market risk encompasses a variety of risks such as interest rate risk, currency risk and price risk. The Plan manages market risk by diversifying the choice of investments in accordance with the Plan's Summary of Investment Policies and Procedures, which is approved by the Trustees.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency risk

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate due to changes in foreign currency exchange rates.

Price risk

Other price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices. The Plan's investments in pooled funds are sensitive to market fluctuations.

b) Credit risk

Credit risk is the risk of loss arising when a counterparty fails to fully honour its financial obligations with the Plan. Credit risk can also cause losses when an issuer is downgraded by credit rating agencies leading to a reduction in the market value of the of the issuers' obligation.

c) Liquidity risk

Liquidity risk is the risk that the Plan has insufficient cash flows to meet its obligations as they come due. Cash inflows are derived from employer and member contributions and investment income. The majority of the Plan's assets are invested in readily marketable securities and can be sold relatively quickly.

d) Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements 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, 2012 all investments are Level 1 or Level 2 within the fair value hierarchy.