

FOUNDATION FOR SUPERANNUATION OF THE CANADIAN REFORMED CHURCHES

26995 – 24 Avenue
Aldergrove, BC V4W 3Y9

www.superannuation.ca

TREASURER'S FINANCIAL SUMMARY

3-YEAR PERIOD ENDING

DECEMBER 31, 2018

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INTRODUCTION

Introduction

This report summarizes and comments on the results of our operations for the 2016, 2017, and 2018 calendar years.

The investment results achieved over the past 3 years were above the investment indices that we typically compare our results to and this has largely been achieved through the active management of our investment portfolio by our investment manager. During the term we have continued to realign our investment portfolio so that a greater proportion of our investments are in fixed income products than before. This movement, which can be seen in note 2 to the accompanying financial statements, is for the purpose of achieving a more stable level of income in the face of a volatile equities market. The consequence is a slightly lower rate of return but with less exposure to the risk of capital loss.

Securities selected for us by the investment manager are primarily purchased using a “value” investment approach together with a few other criteria including a preference for securities having an income stream, as opposed to having to rely on an increase in the value of the securities for income purposes. It is therefore possible to underperform any given benchmark from time to time. However, this same approach also provides us with the ability to outperform the indices against which we compare our yields when markets advance, without taking on the same risk as the indices.

Asset Management

We are assisted in managing our invested assets by Wade VanBostelen of Investment Planning Counsel in Burlington, Ontario and we meet with him annually to review and discuss our investment portfolio.

I am able to report that all investment matters have been handled in accordance with our established long-term investment policy and there have been no issues that required our attention.

Our cash reserves continue to be tightly managed because a portion of the funding for the benefits that we pay out is covered by making periodic withdrawals from our investment account.

Benefits and Assessments

At the beginning of the period the number of members receiving benefits from the Foundation was 19 in respect of 24 ministers and widows. As of December 31, 2018 the number receiving benefits was 21 in respect of 27 ministers and widows.

In 2016 the assessment rates were increased by 10%; in 2017 the increase was 3% as per the policy previously approved by the members. In 2018 we returned to our usual method of increasing the rates by the October Canadian consumer price index. These increases were necessary to meet the periodic commitments of the Foundation while maintaining a reasonable capital base. At the end of each year we carry out an evaluation and prepare cash flow projections to determine whether the annual rate of increase

INTRODUCTION

needs to be maintained or adjusted. Since our financial results have been quite favourable over the course of the period, we have now returned to our usual practice of increasing both the benefits and the assessments based on the October Canadian consumer price index each year. Our cash flow projections, which are based on a number of assumptions as to expected rate of return, rate of inflation, and the anticipated retirements and deaths, indicate that the Foundation will have sufficient funds on hand to meet projected responsibilities well beyond the year 2034, at which point we project having an asset base of approximately \$2 million.

With respect to benefits, the Foundation's policy is to increase annual benefits by the amount of change in the Canadian Consumer Price Index from October to October. This percentage of change is applied in the following January each year.

Respectfully submitted,

S.P.C. Vander Molen, CPA, CA

Administration Committee Treasurer

FINANCIAL STATEMENTS (UNAUDITED)

Financial Statements (unaudited)

STATEMENT OF FINANCIAL POSITION

- Statement of Financial Position

	2018	2017	2016
Assets			
Current			
Cash in bank	\$ 24,367	\$ --	\$ 32,484
Cash in brokerage account	108,925	43,193	136,510
Assessments receivable	<u>7,402</u>	<u>21,458</u>	<u>10,606</u>
	140,334	64,651	179,600
Investments (note 2)	<u>3,040,170</u>	<u>3,153,777</u>	<u>2,717,519</u>
	<u>\$ 3,180,504</u>	<u>\$ 3,218,428</u>	<u>\$ 2,897,119</u>
Liabilities			
Current			
Bank overdraft	\$ --	\$ 13,911	\$ --
Accounts payable	<u>13,147</u>	<u>13,503</u>	<u>11,496</u>
	13,147	27,414	11,496
Net Assets	<u>3,167,357</u>	<u>3,191,014</u>	<u>2,885,623</u>
	<u>\$ 3,180,504</u>	<u>\$ 3,218,428</u>	<u>\$ 2,897,119</u>

- Statement of Operations

Income			
Assessments	\$ 782,682	\$ 760,502	\$ 718,528
Investment income (note 3)	<u>76,019</u>	<u>390,001</u>	<u>86,309</u>
	<u>858,701</u>	<u>1,150,503</u>	<u>804,837</u>
Expenses			
Bank charges	83	67	76
Benefits	824,333	790,569	762,299
Honorarium	5,605	5,527	5,446
Investment management fees (note 3)	51,317	48,031	44,688

FINANCIAL STATEMENTS (UNAUDITED)

	2018	2017	2016
Printing, postage, stationery, website	1,020	918	1,784
Travel	<u>0</u>	<u>0</u>	<u>2,808</u>
Total expenses	<u>882,358</u>	<u>845,112</u>	<u>817,101</u>
Net Income (Loss)	(23,657)	305,391	(12,264)
Net Assets, beginning of year	<u>3,191,014</u>	<u>2,885,623</u>	<u>2,897,887</u>
Net Assets, end of year	<u>\$ 3,167,357</u>	<u>\$ 3,191,014</u>	<u>\$ 2,885,623</u>

NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Financial Statements

These financial statements have been prepared by and are the responsibility of management. They have been prepared using Canadian accounting standards for not-for-profit organizations.

Recognition of Investment Income

The Foundation recognizes investment income as it accrues to the Foundation's benefit. Increases and decreases in the market value of investments are recorded in the accounts at the end of each fiscal year.

Liability for Future Benefits

Under the terms of its constitution and by-laws the Foundation is obligated to make payments to its constituent members in respect of retired ministers or their widows. The Foundation does not record in its accounts the potential liability to its members for such benefit payments because its primary role is as a facilitator on behalf of its members and, as such, considers that it is merely a redistributor of the funds it collects and earns on behalf of its members.

2. INVESTMENTS, at market value

	2018	2017	2016
Marketable securities held in brokerage accounts			
Fixed income products, including GIC's	\$ 1,066,549	\$ 973,442	\$ 659,631
Common stock and preferred shares	1,727,722	1,887,926	1,634,124
Mutual funds and managed products	<u>245,899</u>	<u>292,409</u>	<u>423,764</u>
	<u>\$ 3,040,170</u>	<u>\$ 3,153,777</u>	<u>\$ 2,717,519</u>

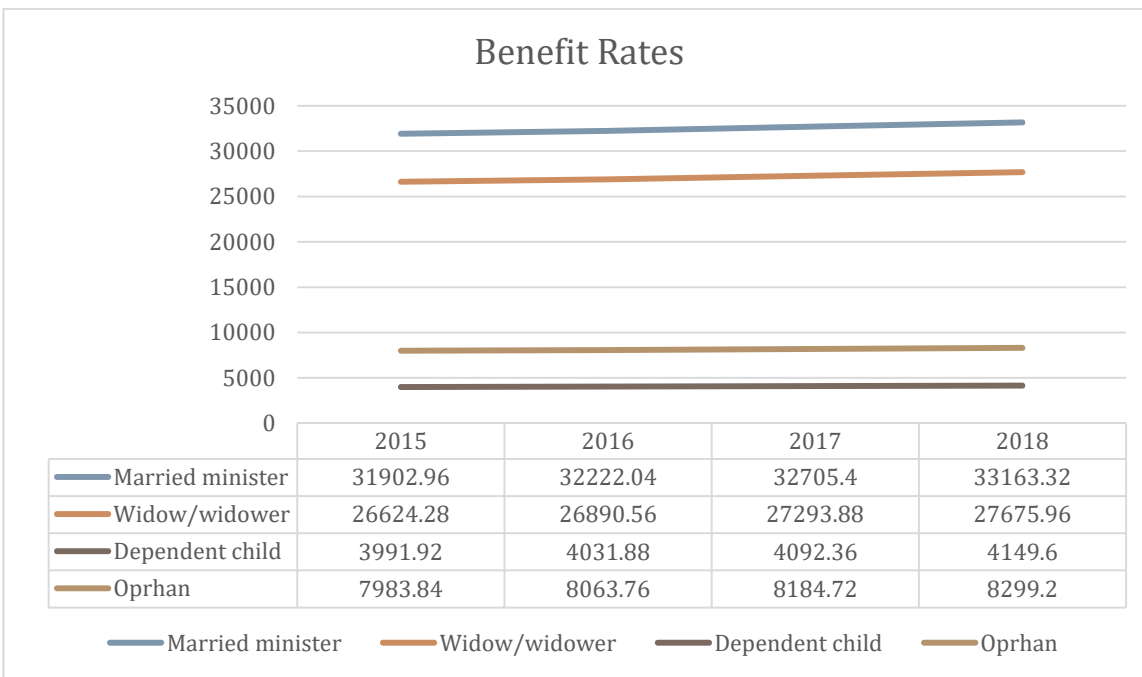
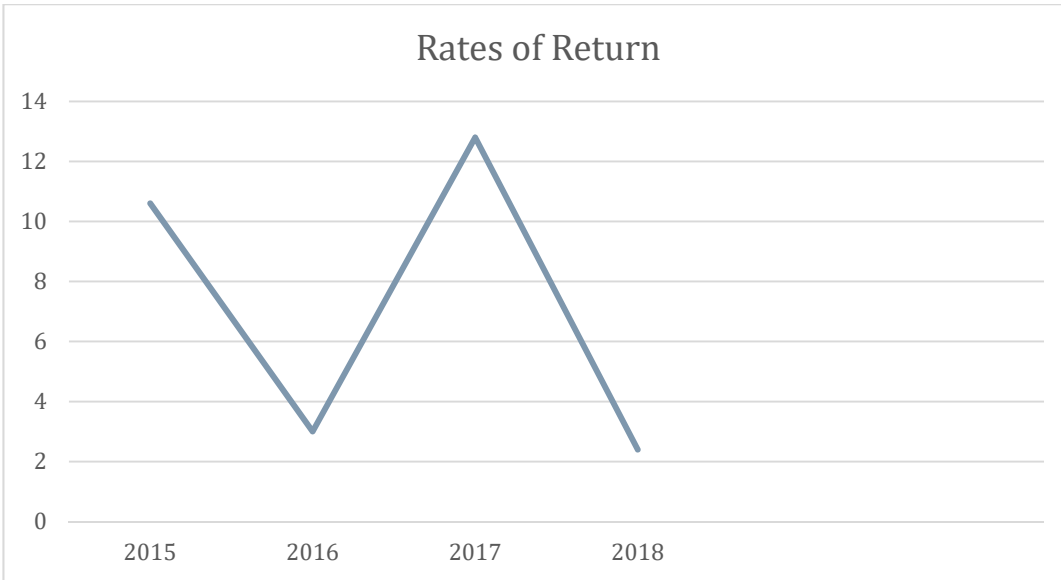
NOTES TO FINANCIAL STATEMENTS

3. ANALYSIS OF INVESTMENT INCOME

	2018	2017	2016
Interest, dividends, foreign exchange and other	\$ 71,423	\$ 59,571	\$ 11,684
Foreign withholding taxes unrecoverable	(1,342)	(1,864)	(2,026)
Realized and unrealized gains - net	<u>5,938</u>	<u>332,294</u>	<u>76,651</u>
Investment income	76,019	390,001	86,309
Less: Investment management fees	<u>51,317</u>	<u>48,031</u>	<u>44,688</u>
Net investment income	<u>\$ 24,702</u>	<u>\$ 341,970</u>	<u>\$ 41,621</u>

DATA CHARTS

Data Charts



DATA CHARTS

Table of assessment rates

	2015	2016	2017	2018
Per communicant member	\$ 24.96	\$ 27.44	\$ 28.24	\$ 28.64
Per active minister	\$ 5,037.28	\$ 5,541.00	\$ 5,707.20	\$ 5,787.12
Per professor or missionary	\$ 10,074.56	\$ 11,082.00	\$ 11,414.40	\$ 11,574.24