

**Retirement Plan for Ministers of
the Christian Reformed Church
in Canada**
Financial Statements
For the year ended December 31, 2019

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Christian Reformed Church in Canada
Financial Statements**
For the year ended December 31, 2019

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Independent Auditor's Report

To the Administrator of
Retirement Plan for Ministers of the Christian Reformed Church in Canada

Opinion

We have audited the financial statements of the Retirement Plan for Ministers of the Christian Reformed Church in Canada (the "Plan"), which comprise the statement of net assets available for benefits as at December 31, 2019, and the statement of changes in net assets available for benefits for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at December 31, 2019, and its changes in net assets available for benefits for the year then ended in accordance with the financial reporting provisions of Section 76 of Regulation 909 under the Pension Benefits Act, 1990 (Ontario).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter Basis of Accounting and Restriction on Use

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Administrator of the Plan to meet the requirements of the Financial Services Regulatory Authority of Ontario. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter. Our report is intended solely for the Administrator of the Plan and the Financial Services Regulatory Authority of Ontario and should not be used by parties other than the Administrator of the Plan and the Financial Services Regulatory Authority of Ontario.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 under the Pension Benefits Act, 1990 (Ontario), 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.

In preparing the financial statements, management is responsible for assessing the Plan's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan's financial reporting process.



Independent Auditor's Report (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Plan's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Plan to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO CANADA LLP

Chartered Professional Accountants, Licensed Public Accountants
Burlington, Ontario
September 24, 2020

**Retirement Plan for Ministers of the
Christian Reformed Church in Canada
Statement of Net Assets Available for Benefits**

December 31 **2019** **2018**

Assets

Retirement Plan component

| | | |
|--------------------------|-------------------|-------------------|
| Cash | \$ 673,720 | \$ 442,435 |
| Investments (Note 2) | 67,102,957 | 58,409,947 |
| Accrued income | 80,669 | 55,146 |
| Contributions receivable | 1,010,632 | 9,649 |
| | 68,867,978 | 58,917,177 |

Special Assistance Fund component

| | | |
|---------------------|-------------------|-------------------|
| Cash | 390,320 | 470,966 |
| Accounts receivable | 9,839 | 13,636 |
| Interest receivable | 536 | 646 |
| | 400,695 | 485,248 |
| | 69,268,673 | 59,402,425 |

Liabilities

Retirement Plan component

| | | |
|--|---------|---------|
| Accounts payable and accrued liabilities | 219,636 | 142,000 |
|--|---------|---------|


Special Assistance Fund component

| | | |
|--|----------------|----------------|
| Accounts payable and accrued liabilities | 16,529 | 168,816 |
| | 236,165 | 310,816 |

Net assets available for benefits (Note 3) **\$ 69,032,508** **\$ 59,091,609**

On behalf of the Plan's Administrator:

Nancy E Nickel



**Retirement Plan for Ministers of the
Christian Reformed Church in Canada
Statement of Changes in Net Assets Available for Benefits**

| For the year ended December 31 | 2019 | 2018 |
|---|----------------------|----------------------|
| Increase in assets | | |
| Retirement Plan component | | |
| Employer contributions - normal | \$ 1,127,700 | \$ 966,600 |
| - special payments | 1,465,132 | 189,316 |
| | <u>2,592,832</u> | <u>1,155,916</u> |
| Investment income | | |
| Realized gain on sale of investments | 2,935,765 | 2,027,651 |
| Unrealized gain (loss) on investments | 6,536,271 | (3,179,787) |
| Interest | 430,386 | 430,386 |
| Dividends | 1,215,334 | 1,041,736 |
| | <u>11,117,756</u> | <u>319,986</u> |
| | <u>13,710,588</u> | <u>1,475,902</u> |
| Special Assistance Fund component | | |
| Interest income | 6,102 | 6,201 |
| Ministry shares | 84,526 | 95,378 |
| | <u>90,628</u> | <u>101,579</u> |
| Total increase in assets | <u>13,801,216</u> | <u>1,577,481</u> |
| Decrease in assets | | |
| Retirement Plan component | | |
| Benefit costs | | |
| Canadian pensionable service | 2,943,171 | 2,766,721 |
| Lump sum disbursements | - | 326,783 |
| Administrative expenses (Note 4) | 894,252 | 911,610 |
| | <u>3,837,423</u> | <u>4,005,114</u> |
| Special Assistance Fund component | | |
| Expenses | | |
| Assistance payments | 10,420 | 8,116 |
| Moving allowances, net of reimbursements | 11,500 | 15,492 |
| Spousal supplemental payments | 974 | 150,450 |
| | <u>22,894</u> | <u>174,058</u> |
| Total decrease in assets | <u>3,860,317</u> | <u>4,179,172</u> |
| Increase (decrease) in net assets | 9,940,899 | (2,601,691) |
| Net assets available for benefits, beginning of year | 59,091,609 | 61,693,300 |
| Net assets available for benefits, end of year | \$ 69,032,508 | \$ 59,091,609 |

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

Retirement Plan for Ministers of the Christian Reformed Church in Canada

Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies

Purpose of the Plan

The purpose of the Plan is to provide benefits to members upon pension eligibility. The Plan is comprised of a Retirement Plan component and a Special Assistance Fund component. Retirement plan funds are invested in accordance with the Plan's Statement of Investment Policies and Procedures.

Basis of Presentation

These financial statements have been prepared in accordance with the significant accounting policies set out below to comply with the accounting requirements prescribed by the Financial Services Regulatory Authority of Ontario for financial statements in accordance with the financial reporting provisions of Section 76 of Regulation 909 under the Pension Benefits Act, 1990 (Ontario). These regulations require pension plans to adhere to the provisions of *Section 4600 – Pension Plans in Part IV – Accounting Standards for Pension Plans* of the Chartered Professional Accountants (CPA) Canada Handbook, although they permit the exclusion of the actuarial liabilities of the Plan. Consequently, these financial statements do not purport to show the adequacy of the Plan's assets to meet its pension obligations. For accounting policies that do not relate to the Plan's investment portfolio, the Plan has elected to apply Canadian accounting standards for private enterprises.

Contributions

In accordance with the provisions of the Plan, the minister's annual pension amount at normal retirement age is 1.1% of the Plan's pensionable salary multiplied by the minister's years of pensionable service in Canada prior to January 1, 1985 plus 1.46% of the Plan's pensionable salary for service performed after December 31, 1984 through December 31, 2010, plus 1.3% of the plan's pensionable salary for service performed after December 31, 2010. Based on the periodic actuarial valuations, the sponsor is required to provide the funding necessary to ensure that benefits will be fully provided for on retirement.

Investments

Investments are held primarily in pension eligible pooled funds, which are stated at fair value on a trade-date basis. Pooled fund investments are valued at 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 quoted market prices. The investment income recognized is the increase or decrease in the value of the pooled funds. Dividends and interest are reinvested within the pooled funds.

The fair value of cash and short-term investments approximates cost plus accrued interest due to their short-term nature.

The realized gain on sale of investments is determined by the excess of proceeds over average cost of investments sold.

The unrealized gain (loss) on investments represents the unrealized appreciation (depreciation) in fair value of investments held at the year end less the related unrealized appreciation (depreciation) as at the previous year end.

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

1. Significant Accounting Policies (Continued)

Pension Benefits and Funding Policy

Benefit payments to participants are recorded upon distribution.

Actuarial valuations are prepared and filed as required by the Pension Benefits Act (Ontario) to estimate the surplus or deficit for the Plan and to determine required contributions. The last actuarial valuation was completed by Eckler Ltd. and filed as of December 31, 2019. The actuarial basis used in the valuation was the projected unit credit method prorated on service.

As of the last actuarial valuation date, December 31, 2019, there was an actuarial surplus of \$6,822,400 in respect to pension rights of members, and a solvency deficiency of \$10,945,500. The next actuarial valuation of the Plan should be performed with an effective date no later than December 31, 2022.

Foreign Currency Translation

Foreign currency accounts are translated to Canadian dollars as follows:

At the transaction date, each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities, including investments which are carried at fair value, are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in income in the current period.

Use of Estimates

The preparation of financial statements requires the Plan Administrator to make estimates and assumptions that affect the reported amounts of assets and liabilities at the financial statement date and the reported amounts of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates as additional information becomes available in the future.

Income Tax Status

The Plan is registered pursuant to the Pension Benefits Act and the Income Tax Act (Canada), and is not subject to income taxes.

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

2. Investments

(a) Investments by Investment Manager

| | 2019 | | 2018 | |
|---------------------------------|------------------|------------------|------------|------------|
| | Fair Value | Cost | Fair Value | Cost |
| Advisory Research | | | | |
| Cash and short-term investments | \$ 208,756 | \$ 212,751 | \$ 136,626 | \$ 133,914 |
| Foreign equities | 3,321,218 | 3,018,207 | 2,782,639 | 2,951,975 |
| | 3,529,974 | 3,230,958 | 2,919,265 | 3,085,889 |
| Apex Investments | | | | |
| Cash and short-term investments | 136,110 | 138,605 | 17,103 | 16,718 |
| Foreign equities | 2,286,460 | 1,763,392 | 1,942,719 | 1,663,215 |
| | 2,422,570 | 1,901,997 | 1,959,822 | 1,679,933 |
| Bahl Gaynor | | | | |
| Cash and short-term investments | 46,173 | 46,916 | 99,105 | 95,584 |
| Foreign equities | 4,254,051 | 2,922,113 | 3,473,672 | 2,522,101 |
| | 4,300,224 | 2,969,029 | 3,572,777 | 2,617,685 |
| Bank of New York Mellon | | | | |
| Cash | 983 | 983 | - | - |
| Boston Partners LCV | | | | |
| Cash and short-term investments | 452,211 | 460,842 | 186,516 | 181,805 |
| Foreign equities | 4,749,434 | 4,240,887 | 4,563,972 | 4,396,728 |
| | 5,201,645 | 4,701,729 | 4,750,488 | 4,578,533 |
| Edgewood Management LLC | | | | |
| Cash and short-term investments | 63,916 | 65,464 | 103,267 | 100,818 |
| Foreign equities | 4,915,835 | 2,483,713 | 4,581,754 | 2,639,742 |
| | 4,979,751 | 2,549,177 | 4,685,021 | 2,740,560 |
| Fiera Capital | | | | |
| Foreign equities | 18,178,970 | 13,193,904 | 12,499,635 | 10,448,229 |

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

2. Investments (Continued)

(a) Investments by Investment Manager - (continued)

| | 2019 | | 2018 | |
|---------------------------------|----------------------|----------------------|---------------|---------------|
| | Fair Value | Cost | Fair Value | Cost |
| Guardian Capital | | | | |
| Cash and short-term investments | 176,700 | 176,700 | 309,019 | 309,019 |
| Canadian equities | 14,202,328 | 11,194,841 | 13,426,309 | 11,433,221 |
| Foreign equities | 144,752 | 154,265 | 151,938 | 180,602 |
| | 14,523,780 | 11,525,806 | 13,887,266 | 11,922,842 |
| Invesco | | | | |
| Cash and short-term investments | - | - | 186 | 223 |
| Merrill Lynch | | | | |
| Cash and short-term investments | 392,174 | 392,174 | 30,954 | 30,954 |
| Private equity | 1,422,383 | 1,376,728 | 819,984 | 773,501 |
| Real estate | 434 | 305 | 2,116,928 | 2,199,623 |
| | 1,814,991 | 1,769,207 | 2,967,866 | 3,004,078 |
| Pyramis | | | | |
| Canadian bonds | 12,150,069 | 12,044,191 | 11,167,621 | 11,652,270 |
| Total investments | \$ 67,102,957 | \$ 53,886,981 | \$ 58,409,947 | \$ 51,730,242 |

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

2. Investments (Continued)

(b) Investment allocation

The individual investments that exceed 1% of the fair value of the Plan are as follows:

| | 2019 | | 2018 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Fair Value | Cost | Fair Value | Cost |
| Canadian bonds | | | | |
| Pyramis Canadian Bond Core Plus Trust | \$12,150,069 | \$12,044,191 | \$11,167,621 | \$11,652,270 |
| Canadian equity investments | | | | |
| Brookfield Asset Management Inc. | 680,897 | 302,077 | 563,748 | 358,665 |
| Suncor Energy Inc | 696,282 | 659,869 | 547,547 | 570,754 |
| TC Energy Group | 670,852 | 503,863 | 599,625 | 638,919 |
| Other (less than 1% individually) | 12,154,297 | 9,729,032 | 11,715,389 | 9,864,883 |
| Total Canadian equity investments | 14,202,328 | 11,194,841 | 13,426,309 | 11,433,221 |
| Cash and short-term investments | | | | |
| Other (less than 1% individually) | 1,477,023 | 1,494,435 | 882,776 | 869,035 |
| Foreign equity investments | | | | |
| Fiera International Equity Fund | 18,178,970 | 13,193,904 | 12,499,635 | 10,448,229 |
| Other (less than 1% individually) | 19,671,750 | 14,582,577 | 17,496,694 | 14,354,363 |
| Total foreign equity investments | 37,850,720 | 27,776,481 | 29,996,329 | 24,802,592 |
| Private equity investments | | | | |
| KKR Custom Equity - Opportunities Cayman Fund LP | 1,126,818 | 1,013,064 | 744,953 | 698,470 |
| Other (less than 1% individually) | 295,565 | 363,664 | 75,031 | 75,031 |
| | 1,422,383 | 1,376,728 | 819,984 | 773,501 |
| Real estate investments | | | | |
| Other (less than 1% individually) | 434 | 305 | 2,116,928 | 2,199,623 |
| Total investments | \$67,102,957 | \$53,886,981 | \$58,409,947 | \$51,730,242 |

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

2. Investments (Continued)

(b) Investment allocation - (continued)

Percentage of investments at fair value:

| | Fund Policy % | Target Allocation % | 2019 % | 2018 % |
|---------------------------------|------------------|------------------------|-----------|-----------|
| Canadian bonds | 20 - 30 | 25 | 18 | 19 |
| Canadian equities | 15 - 25 | 20 | 21 | 23 |
| Foreign equities | 30 - 50 | 40 | 57 | 51 |
| Cash and short-term investments | 0 - 20 | - | 2 | 2 |
| Private equity | 0 - 15 | 10 | 2 | 1 |
| Real estate | 0 - 10 | 5 | - | 4 |
| | | 100 | 100 | 100 |

As of December 31, 2019, the target asset allocation is outside the recommended target allocations. The Trustees monitor the asset allocation regularly, and rebalancing can occur within six months of an imbalance being identified. The Trustees will perform rebalancing of the asset mix portfolio to achieve the target asset allocation as determined in the Statement of Investment Policies and Procedures.

(c) Investment Commitments

As at December 31, 2019, the Plan has the following investment commitments, denominated in \$USD:

| | Aggregate Commitment | Capital Calls to December 31, 2019 | Balance Outstanding |
|---|-------------------------|---------------------------------------|------------------------|
| BCP VIII - Access Fund (OS) LP | \$ 1,000,000 | \$ - | \$ 1,000,000 |
| Carlyle Buyout VII - Access Fund (OS) LP | 1,000,000 | 280,000 | 720,000 |
| KKR Custom Equity - Opportunities Cayman Fund LP | 800,000 | 768,000 | 32,000 |
| | \$ 2,800,000 | \$ 1,048,000 | \$ 1,752,000 |

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

3. Net Assets Available for Benefits

Net assets available for benefits is comprised of:

| | 2019 | 2018 |
|-----------------------------------|---------------|---------------|
| Retirement Plan component | \$ 68,648,342 | \$ 58,775,177 |
| Special Assistance Fund component | 384,166 | 316,432 |
| | \$ 69,032,508 | \$ 59,091,609 |

4. Administrative Expenses

Administrative expenses are comprised of:

| | 2019 | 2018 |
|--|------------|------------|
| Actuarial fees | \$ 43,895 | \$ 71,662 |
| Audit | 13,001 | 12,119 |
| Investment management and custodial fees | 536,298 | 522,711 |
| Office expense - coordinated services and other fees | 301,058 | 305,118 |
| | \$ 894,252 | \$ 911,610 |

Office expense - coordinated services and other fees represent costs which were paid by the Christian Reformed Church in North America Denominational Services and allocated to the Plan.

5. Financial Instruments and Risk Management

The Plan's investing activities exposed it to a variety of direct and indirect financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk and other price risk). These risks have not changed from the prior year.

On March 11, 2020, the World Health Organization declared the outbreak of the coronavirus (COVID-19) pandemic resulting in economic uncertainties impacting the Plan's risks. At this time, the full potential impact of COVID-19 on the Plan is not known.

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Plan. The Plan's cash and short-term investments are subject to credit risk. The Plan also has credit risk relating to its investment in a pooled bond fund, but the Plan manages this risk as the pooled fund invests in investment-grade and government bonds.

As a result of the COVID-19 pandemic, and the economic uncertainty it has given rise to, the credit ratings of the Plan's fixed income investments may have deteriorated subsequent to year end.

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

5. Financial Instruments and Risk Management (Continued)

Liquidity Risk

The Plan is also exposed to *liquidity risk* in the event that investments must be sold quickly. The Plan manages its liquidity risk by investing mainly in active markets with assets that can be readily disposed as liquidity needs arise, assuming orderly markets, however, the private equity and real estate investments are susceptible to increased liquidity risk.

The Plan's investments in real estate and private equity may be exposed to higher degree of liquidity risk.

Market Risk

Market risk is the risk of loss that results from fluctuations in equity prices, interest and exchange rates. The Plan is exposed to market risk from its investing activities. The level of risk to which the Plan is exposed varies depending on market conditions and the composition of the asset mix.

Interest rate risk refers to the effect on the fair value of the Plan's assets due to fluctuations in interest rates. As of December 31, 2019, had prevailing interest rates increased or decreased by 1% with all other variables held constant, net assets available for benefits would have decreased or increased, respectively, by approximately \$122,000 (2018 - \$112,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As a result of the COVID-19 pandemic, many governments around the world have adjusted interest rates to mitigate the economic impact of the pandemic. Such changes to interest rates could have a material impact on the fair value of the Plan's interest bearing investments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies. As of December 31, 2019, had the Canadian dollar appreciated or depreciated by 5% relative to other currencies with all other variables held constant, net assets available for benefits would have decreased or increased, respectively, by approximately \$1,949,000 (2018 - \$1,647,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As a result of the COVID-19 pandemic, and the global economic uncertainty it has given rise to, there has been significant volatility in global foreign exchange rates subsequent to year end. The effect of the changes in foreign exchange rates may have an impact on the fair value of the Plan's foreign currency investments in excess of the above sensitivity analysis.

Other price risk is the risk that the value of financial instruments will fluctuate as a result 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 a market. The Plan manages the price risk primarily through diversifying the investments across industry sectors and through investments strategies. As of December 31, 2019, had equity prices increased or decreased by 10% with all other variables held constant, the net assets available for benefits would have increased or decreased, respectively, by approximately \$5,205,000 (2018 - \$4,342,000).

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

5. Financial Instruments and Risk Management (Continued)

Market Risk (continued)

As a result of the COVID-19 pandemic, and the global economic uncertainty it has given rise to, there has been significant volatility in the global and domestic equity markets subsequent to year end. Accordingly, the overall downturn in equity markets since year end may have had a negative impact on the fair value of the Plan's investments in excess of the above sensitivity analysis.

Financial Instruments Fair Value Hierarchy

Disclosure of a three-level hierarchy for fair value measurements is 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, the following table represents a summary of investments held by level:

| | 2019 | 2018 |
|--|----------------------|---------------|
| Level 1 - Cash and equities | \$ 53,530,071 | \$ 44,305,414 |
| Level 2 - Bonds and other interest-bearing investments | 12,150,069 | 11,167,621 |
| Level 3 - Private equity and real estate investments | 1,422,817 | 2,936,912 |
| | \$ 67,102,957 | \$ 58,409,947 |

The schedule below presents a reconciliation of Level 3 investments measured at fair value using unobservable inputs during the year. Realized and unrealized gains are included in investment income.

| | 2019 | 2018 |
|----------------------------|---------------------|--------------|
| Balance, beginning of year | \$ 2,936,912 | \$ 2,890,342 |
| Purchases | 1,042,632 | 3,056,687 |
| Sales | (2,777,426) | (2,760,531) |
| Realized gains (losses) | 138,703 | (15,113) |
| Unrealized gains (losses) | 81,996 | (234,473) |
| | \$ 1,422,817 | \$ 2,936,912 |

Retirement Plan for Ministers of the Christian Reformed Church in Canada

Notes to Financial Statements

December 31, 2019

6. Capital Management

The Plan considers its capital to be its net assets available for benefits. The Plan's objective when managing its capital is to accumulate funds to provide retirement benefits to Plan members, as further described in Note 7.

Based on periodic actuarial valuations, the sponsor is required to provide the funding, in accordance with applicable regulatory requirements, to ensure that benefits will be fully provided for on retirement. The Plan's investment assets are invested in accordance with the Plan's Statement of Investment Policies and Procedures, most recently amended and approved September 2019, and within the applicable regulatory limits. The Plan's Statement of Investment Policies and Procedures is reviewed at least annually.

The investment managers appointed by the Trustees are directed to achieve a long-term rate of return through a diversified portfolio, consistent with acceptable risks and prudent management. The long-term investment objective of the Plan is to achieve a minimum rate of return of 3% per annum in excess of the increase in the Consumer Price Index, before investment management fees. Actual results related to the Plan's investment portfolio are disclosed in the Statement of Changes in Net Assets Available for Benefits.

The investment policy includes guidelines on asset mix and risk allocation. The document lists the investment constraints, for example, the maximum exposure permitted for a single issuer, the liquidity requirements and currency management. The policy also identifies the authorized counterparties and includes the approval requirements.

The objective of risk management is to achieve a diversifying of risks and returns in order to minimize the likelihood of an overall reduction in total Plan value and maximize the opportunity for gains over the entire portfolio. The trustees also manage the liquidity risk so that there is sufficient liquidity to meet current benefit payments, and to give the Plan the ability to adjust the asset mix in response to changes in the market conditions.

The Canadian Pension Trustees meet regularly to assess the investment risk associated with the portfolio and determine action plans, if required.

The risk management strategy of the Plan did not change during the year ended December 31, 2019.

There has been no change in what the Plan considers to be its capital and there have been no significant changes to the Plan's capital management objectives, policies and processes in the year.

Retirement Plan for Ministers of the Christian Reformed Church in Canada Notes to Financial Statements

December 31, 2019

7. Plan Information

The following description of the Retirement Plan for Ministers of the Christian Reformed Church in Canada (the "Retirement Plan") and the Special Assistance Fund for Ministers of the Christian Reformed Church in Canada (the "Special Assistance Fund") is only a summary. For more complete information, reference should be made to the Retirement Plan and Special Assistance Fund documents.

The Plan is a defined benefit pension plan established for ministers in Canada of The Christian Reformed Church in North America (the "Church"). The Plan is registered with the Financial Services Regulatory Authority of Ontario (registration #458596). The Plan is administered by the Canadian Pension Trustees in accordance with the terms of the Trust Deed. The Plan also provides for a disability pension prior to age 65 in circumstances as defined by the Plan. A minister becomes eligible for the Plan on his service commencement date in the Church. The Plan provides for 100% vesting of the Church's contribution upon Plan registration.

All organized churches are required to pay church assessments determined at an amount per professing member age 18 years and older or, if greater, the direct costs of their first or only pastor's participation in the Retirement Plan. These amounts are collected by means of monthly billings to each organized church based on reported membership statistics.

All emerging churches and each other ministry that employs a minister or endorsed chaplain as a missionary, professor, teacher or in any other capacity are required to pay the annual cost of participation in the Retirement Plan. Grant of credited service for pastors in the employ of agencies, churches and other organizations is contingent on timely payment of amounts billed.

The Church maintains a similar plan for ministers serving in the United States of America. The Synod of the Christian Reformed Church (the "Synod") has established that the total pension obligation to ministers and their dependents in Canada and the United States of America is an across-the-board denominational responsibility requiring joint financing.

The Special Assistance Fund provides to any retired minister, their surviving spouse or orphan, assistance payments for needs that are recognized as a necessity of life and are of an unusual and emergency nature. The Special Assistance Fund also provides for payment of a defined amount to a retired minister or their surviving spouse for one-time moving expenses. The Synod provides financing for the Special Assistance Fund through denominational ministry shares and contributions.

The Plan provides for five trustees who are appointed by the Synod.

8. Comparative Amounts

The comparative amounts have been reclassified to conform with the current year's financial statement presentation.