

Financial Statements of

**AMERICAN FEDERATION OF
MUSICIANS' AND EMPLOYERS'
PENSION WELFARE FUND
(CANADA)**

Year ended December 31, 2008



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AUDITORS' REPORT

To the Board of Trustees of American Federation of Musicians'
and Employers' Pension Welfare Fund (Canada)

We have audited the statement of net assets available for benefits of American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) as at December 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements have been prepared to comply with Section 76 of the Regulations to the Pension Benefits Act (Ontario). These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Contributions from employers are based on contribution and participation agreements with the American Federation of Musicians of the United States and Canada or its affiliated locals. We reviewed, on a test basis, contribution reports received from employers, but it was not practicable for us to extend our examination to determine that all contributions that should have been made under the various agreements had been received. Accordingly, we are not able to determine whether any adjustments might be necessary to contributions due from employers and employer contributions.

In our opinion, except for the effect of any adjustments which might have been required had employer contributions been submitted to additional verification, as described in the preceding paragraph, these financial statements present fairly, in all material respects, the net assets available for benefits as at December 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting described in note 1 to the financial statements.

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are solely for the information and use of the Trustees of American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) and the Financial Services Commission of Ontario for complying with Section 76 of the Regulations to the Pension Benefits Act (Ontario). The financial statements are not intended to be and should not be used by anyone other than the specified users or for any other purpose.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

April 9, 2009

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Statement of Net Assets Available for Benefits


December 31, 2008, with comparative figures for 2007

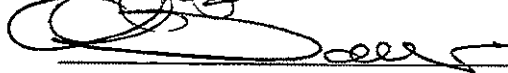
	2008	2007
Assets		
Cash	\$ 3,682,403	\$ 3,623,205
Accrued investment income	2,601,970	3,314,642
Contributions due from employers	1,446,059	1,504,323
GST rebate receivable	30,394	36,004
Prepaid expenses	1,367,211	1,200,765
Fixed assets (note 5)	74,410	106,496
	<u>9,202,447</u>	<u>9,785,435</u>
Investments (note 3):		
Short-term notes and treasury bills	8,371,177	24,457,910
Canadian bonds:		
Government	65,107,597	98,837,789
Corporate	107,022,281	110,805,584
Canadian equities	184,736,063	192,181,424
Foreign equities	82,244,062	173,271,487
Foreign pooled funds	24,419,201	25,298,018
Foreign government bonds	2,322,400	6,878,732
Pooled real estate fund	31,698,498	-
	<u>505,921,279</u>	<u>631,730,944</u>
	<u>515,123,726</u>	<u>641,516,379</u>
Liabilities		
Accounts payable and accrued liabilities	707,786	509,863
	<u>\$ 514,415,940</u>	<u>\$ 641,006,516</u>

Commitments (note 6)

See accompanying notes to financial statements.

On behalf of the Board of Trustees:

 Trustee

 Trustee

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Statement of Changes in Net Assets Available for Benefits

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Increase in net assets:		
Investment income (note 4)	\$ 18,709,398	\$ 23,076,689
Net realized gain on sales of investments	–	36,997,735
Employer contributions	9,425,828	7,747,156
	<u>28,135,226</u>	<u>67,821,580</u>
Decrease in net assets:		
Net realized loss on sales of investments	11,454,310	–
Pension and death benefits	20,109,876	17,670,822
Termination payments and portability transfers	964,171	312,230
Change in net unrealized gains	118,575,413	59,301,854
Administrative expenditures (Schedule)	3,622,032	3,393,249
	<u>154,725,802</u>	<u>80,678,155</u>
Decrease in net assets	(126,590,576)	(12,856,575)
Net assets available for benefits, beginning of year	641,006,516	653,863,091
Net assets available for benefits, end of year	<u>\$ 514,415,940</u>	<u>\$ 641,006,516</u>

See accompanying notes to financial statements.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements

Year ended December 31, 2008

American Federation of Musicians' and Employers' Pension Welfare Fund (Canada) (the "Fund"), registration number 0215145, is a pension trust established under an agreement and Declaration of Trust dated April 9, 1962 for the purpose of providing pension benefits to eligible employees in the music industry.

The last actuarial valuation of the Fund filed with the Financial Services Commission of Ontario was conducted by The Segal Company Ltd., as of January 1, 2008.

1. Significant accounting policies:

(a) Basis of presentation:

The 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 Commission of Ontario for financial statements under Section 76 of the Regulations to the Pension Benefits Act (Ontario). The basis of accounting used in these financial statements materially differs from Canadian generally accepted accounting principles because it excludes the actuarial liabilities of the Fund. Consequently, these financial statements do not purport to show the adequacy of the Fund's assets to meet its pension obligations.

The preparation of financial statements 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 changes in net assets available for benefits during the year. Actual results could differ from those estimates.

(b) Investments:

Investments 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 change in net unrealized gains.

Investment purchase and sale transactions are accounted for on the trade date.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

1. Significant accounting policies (continued):

Fair values of investments are determined as follows:

Bonds and equities are valued at year-end quoted market prices where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within one year are stated at cost, which, together with accrued interest income, approximates fair value given the short-term nature of these investments.

Guaranteed investment certificates are valued at the present value of estimated future cash flows discounted at interest rates in effect on the last business day of the year for investments of a similar type, quality and maturity.

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

(c) Net realized gain on sales of investments:

The net realized gain on sales of investments is the difference between proceeds received and the average cost of investments sold.

(d) Investment income and transaction costs:

Investment income, which is recorded on the accrual basis, includes interest income and dividends.

Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are recognized in the statement of changes in net assets available for benefits in the year incurred.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

1. Significant accounting policies (continued):

(e) Foreign currency translation:

The fair values of foreign currency denominated investments included in the statement of net assets available for benefits are translated into Canadian dollars at year-end rates of exchange. Gains and losses arising from translation are included in the change in net unrealized gains. Foreign currency denominated transactions, as well as cost amounts included in note 3, are translated into Canadian dollars at the rates of exchange on the dates of the related transactions.

(f) Contributions:

Contributions are recorded upon the basis of reports received from the employers concerned. The accompanying financial statements reflect contributions due from employers in respect of engagements prior to December 31, 2008, as reported to April 9, 2009.

(g) Fixed assets:

Fixed assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis so as to amortize the cost of the assets over their estimated useful lives as follows:

Furniture, office and computer equipment and vehicles	5 years
Computer software	3 years

(h) Income taxes:

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

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

2. Adoption of new accounting standards:

(a) Financial instruments:

On January 1, 2008, the Fund adopted The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3862, Financial Instruments - Disclosures and Section 3863, Financial Instruments - Presentation. These two new sections have replaced the disclosure and presentation requirements of Section 3861, Financial Instruments - Disclosure and Presentation, and enhance disclosures about the nature and extent of risks arising from financial instruments and how the Fund manages those risks. The adoption of these sections did not have a material impact on the Fund's financial disclosure.

(b) Capital disclosures:

On January 1, 2008, the Fund adopted CICA Section 1535, Capital Disclosures. Section 1535 requires the Fund to disclose its objectives, policies and processes for managing capital, which are its net investments. The adoption of Section 1535 did not have a material impact on the Fund's financial statement disclosure (note 8).

3. Investments:

The following table summarizes investments at cost:

	2008	2007
Short-term notes and treasury bills	\$ 8,371,177	\$ 24,478,928
Canadian bonds:		
Government	62,255,589	96,098,345
Corporate	111,525,801	112,584,309
Canadian equities	194,203,075	120,241,900
Foreign equities	124,091,857	185,913,969
Foreign pooled funds	34,882,190	28,729,369
Foreign government bonds	2,350,677	6,867,798
Pooled real estate fund	30,000,000	-
	\$ 567,680,366	\$ 574,914,618

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Investments (continued):

Details of short-term notes and treasury bills and bonds at fair value are as follows:

	Maturity	Fair value	Average yield
Short-term notes and treasury bills	January 2009 - November 2009	\$ 8,371,177	5.20%
Canadian bonds:			
Federal	June 2009 - June 2037	\$ 33,839,868	2.700% - 8.000%
Provincial	June 2010 - June 2040	29,763,074	3.850% - 11.000%
Municipal	December 2017 - June 2033	1,504,655	4.600% - 5.900%
Corporate	May 2009 - December 2106	107,022,281	3.102% - 9.900%
		\$ 172,129,878	
Foreign bonds:			
Government	August 2009	\$ 2,322,400	3.5%

Individual investments where either the fair value or cost exceeds 1% of the total for the Fund are as follows:

	Cost	Fair value
Canadian government bonds:		
Government of Canada	\$ 10,354,618	\$ 10,824,005
Canadian equities:		
Bank of Nova Scotia	6,270,888	6,790,577
Manulife Financial Corp.	8,223,379	7,358,416
Royal Bank of Canada	5,449,870	6,804,850
Talisman Energy Inc.	3,873,606	5,291,357
Toronto Dominion Bank	7,970,717	7,560,300
Rogers Communications Inc.	4,006,356	6,837,207
Potash Corp. of Saskatchewan Inc.	5,216,518	6,120,507
Thomson Reuter Corp.	5,731,748	5,456,056
Encana Corp.	5,870,080	5,345,696
Foreign pooled funds:		
McLean Budden American Equity Pooled Fund	34,882,190	24,419,201
Pooled real estate fund:		
Greystone Real Estate Fund	30,000,000	31,698,498

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Investments (continued):

The foreign pooled funds are operated by McLean Budden, holding U.S. and foreign equities.

The pooled real estate fund is operated by Greystone Managed Investments Inc. holding properties in Canada.

(a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, market, liquidity and foreign currency risk. The Fund has formal policies and procedures that establish target asset mix. The Fund's policies also require diversification of investments within categories and set limits on exposure to individual investments.

(b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of fixed income securities held by the Fund. The Fund manages this risk by holding primarily debt issued by the Government of Canada, Province of Ontario and Canadian corporate bonds, and by staggering the terms of the securities held.

(c) Market price risk:

Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the Fund's financial instruments are carried at fair value with fair value changes recognized in the statement of changes in net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the Fund through construction of a diversified portfolio of instruments traded on various markets and across various industries.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

3. Investments (continued):

(d) Liquidity risk:

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Although market events could lead to some investments becoming illiquid, the diversity of the Fund's portfolios should ensure that liquidity is available for benefit payments. The Fund also maintains cash on hand for liquidity purposes and to pay accounts payable and accrued liabilities. At December 31, 2008, the Fund had cash in the amount of \$3,682,403 (2007 - \$3,623,205).

(e) Foreign currency risk:

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Consequently, the Fund is exposed to risk that the exchange rates of the various currencies may change in a manner that has an adverse effect on the value of the portion of the Fund's assets or liabilities denominated in currencies other than the Canadian dollar.

4. Investment income:

	2008	2007
Short-term notes and treasury bills	\$ 854,824	\$ 1,189,167
Canadian bonds	9,427,180	10,988,231
Canadian equities	6,467,522	3,452,810
Foreign equities and pooled funds	5,600,749	8,250,190
Foreign government bonds	303,028	167,522
Foreign exchange losses	(3,859,971)	(1,572,916)
Unrealized gain on derivative contracts	-	490,446
Other	(83,934)	111,239
	\$ 18,709,398	\$ 23,076,689

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

5. Fixed assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and office equipment	\$ 53,164	\$ 27,701	\$ 25,463	\$ 29,214
Computer software and equipment	146,816	121,093	25,723	45,367
Vehicles	42,736	19,512	23,224	31,915
	\$ 242,716	\$ 168,306	\$ 74,410	\$ 106,496

6. Commitments:

At December 31, 2008, the Fund is committed under an operating lease for rental of office space until 2016, which requires minimum rental payments as follows (excluding taxes and operating costs):

2009	\$ 40,800
2010	40,800
2011	42,840
2012	48,960
2013	48,960
Thereafter	134,640
	\$ 357,000

7. Fair values of financial assets and financial liabilities:

The fair values of investments are as described in note 1(b). The fair values of other financial assets and liabilities, being cash, accrued investment income, contributions due from employers and accounts payable and accrued liabilities, approximate their carrying values due to the short-term nature of these financial instruments.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Notes to Financial Statements (continued)

Year ended December 31, 2008

8. Capital disclosures:

The main objective of the Fund is to sustain a certain level of net assets in order to meet the pension obligations of the Fund, which are not presented or discussed in these specified-purpose financial statements. Under the Pension Benefits Act (Ontario) and its regulations, the Fund is required to prepare a funding status of the fund every three years. The Fund fulfils its primary objective by adhering to specific investment policies outlined in its Statement of Investment Policies and Procedures ("SIPP"), which is reviewed annually by the Fund. The Fund manages net assets by engaging knowledgeable investment managers who are charged with the responsibility of investing existing funds and new funds (current year's employer contributions) in accordance with the approved SIPP. Increases in net assets are a direct result of investment income generated by investments held by the Fund and contributions into the Fund by employers. Contributions are recorded upon the basis of reports received from the employers concerned. The Fund is required to file financial statements with the Financial Services Commission of Ontario.

9. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

AMERICAN FEDERATION OF MUSICIANS' AND EMPLOYERS' PENSION WELFARE FUND (CANADA)

Schedule of Administrative Expenditures

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Investment manager fees	\$ 1,772,248	\$ 1,626,554
Salaries	648,772	627,599
Custodian fees	271,409	258,970
Legal fees	113,478	94,587
Office rent and operating	110,598	116,158
Dues, fees and licenses	85,660	78,456
Data processing	84,686	73,448
Actuarial services	81,875	78,000
Goods and services tax	60,785	72,007
Investment consulting fees	50,000	71,023
Members/locals education	49,171	15,070
Amortization	45,949	49,219
Accounting fees	33,800	31,200
Audit	25,500	24,500
Translation and newsletter	25,137	20,728
Office supplies	25,023	21,336
Travel and conference	24,572	10,525
Insurance	23,955	23,320
Trustees' meetings	17,815	17,922
Education and development	15,793	27,985
Telephone	14,484	12,031
Postage	13,373	12,153
Staff development	8,964	10,027
Bank charges	8,463	8,246
Printing	7,225	6,715
Advertising and promotion	1,498	1,639
Miscellaneous	1,194	1,905
Automobile	605	1,926
	\$ 3,622,032	\$ 3,393,249