

Financial Statements

The Anglican Foundation of Canada

December 31, 2015



INDEPENDENT AUDITORS' REPORT

To the Members of
The Anglican Foundation of Canada

We have audited the accompanying financial statements of **The Anglican Foundation of Canada**, which comprise the balance sheet as at December 31, 2015 and the statements of operations and changes in fund balances and cash flows 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 not-for-profit organizations, 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.

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 the auditors' 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 auditors 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.

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 **The Anglican Foundation of Canada** as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Toronto, Canada
May 11, 2016

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

The Anglican Foundation of Canada

BALANCE SHEET

As at December 31

	2015	2014
	\$	\$
ASSETS		
Cash and cash equivalents	436,819	415,419
Accounts receivable	29,700	26,434
Investments, at market value [note 3[a]]	14,709,855	14,914,210
Loans receivable [note 4]	1,374,976	1,732,656
Capital assets, net [note 5]	—	2,412
	16,551,350	17,091,131
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	78,829	77,136
Grants payable	—	9,795
Funds held for other organizations	32,505	30,681
Total liabilities	111,334	117,612
Fund balances		
General Fund [note 6]	5,407,289	5,487,688
Restricted Fund [note 7]	1,215,038	2,018,459
Endowment Fund [note 8]	9,817,689	9,467,372
Total fund balances	16,440,016	16,973,519
	16,551,350	17,091,131

See accompanying notes

On behalf of the Board:

Director

Director

The Anglican Foundation of Canada

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

Year ended December 31

	<u>Total</u>		<u>General Fund</u>		<u>Restricted Fund</u>		<u>Endowment Fund</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	\$	\$	\$	\$	\$	\$	\$	\$
			<i>[note 6]</i>		<i>[note 7]</i>		<i>[note 8]</i>	
REVENUE								
Bequests and donations <i>[note 10]</i>	313,355	650,872	210,477	43,216	56,182	61,328	46,696	546,328
Investment income <i>[notes 3[b] and 8[b]]</i>	1,026,764	1,519,853	258,438	391,427	431,709	446,751	336,617	681,675
Loan interest	65,923	73,202	65,923	73,202	—	—	—	—
Memberships	110,014	95,639	110,014	95,639	—	—	—	—
Other income	30,629	25,368	30,629	25,368	—	—	—	—
	1,546,685	2,364,934	675,481	628,852	487,891	508,079	383,313	1,228,003
EXPENSES								
Promotion and development	174,279	180,394	174,279	180,394	—	—	—	—
Operating and administration	251,284	254,038	251,284	254,038	—	—	—	—
Investment management	211,342	197,379	91,079	78,392	120,263	118,987	—	—
Loan management	13,409	15,454	13,409	15,454	—	—	—	—
	650,314	647,265	530,051	528,278	120,263	118,987	—	—
Excess of revenue over expenses before grants and disposition of funds	896,371	1,717,669	145,430	100,574	367,628	389,092	383,313	1,228,003
Grants	849,839	729,167	225,829	211,200	624,010	517,967	—	—
Excess (deficiency) of revenue over expenses and grants for the year	46,532	988,502	(80,399)	(110,626)	(256,382)	(128,875)	383,313	1,228,003
Disposition of funds <i>[note 9]</i>	580,035	—	—	—	547,039	—	32,996	—
Excess (deficiency) of revenue over expenses, grants and disposition of funds for the year	(533,503)	988,502	(80,399)	(110,626)	(803,421)	(128,875)	350,317	1,228,003
Fund balances, beginning of year	16,973,519	15,985,017	5,487,688	5,598,314	2,018,459	2,147,334	9,467,372	8,239,369
Fund balances, end of year	16,440,016	16,973,519	5,407,289	5,487,688	1,215,038	2,018,459	9,817,689	9,467,372

See accompanying notes

The Anglican Foundation of Canada

STATEMENT OF CASH FLOWS

Year ended December 31

	2015	2014
	\$	\$
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses, grants and disposition of funds for the year	(533,503)	988,502
Add (deduct) items not involving cash		
Amortization of capital assets	2,412	3,412
Realized gains and changes in unrealized gains on investments	(293,498)	(1,087,765)
	(824,589)	(95,851)
Changes in non-cash working capital balances related to operations		
Accounts receivable	(3,266)	48,477
Accounts payable and accrued liabilities	1,693	13,145
Grants payable	(9,795)	(17,384)
Net increase in funds held for other organizations	1,824	2,832
Cash used in operating activities	(834,133)	(48,781)
INVESTING ACTIVITIES		
Redemption (purchase) of investments, net	67,818	(467,392)
Redemption of investments on disposition of funds	430,035	—
Advances on loans receivable	(115,000)	(110,000)
Payments on loans receivable	472,680	425,341
Cash provided by (used in) investing activities	855,533	(152,051)
Net increase (decrease) in cash and cash equivalents during the year	21,400	(200,832)
Cash and cash equivalents, beginning of year	415,419	616,251
Cash and cash equivalents, end of year	436,819	415,419

See accompanying notes

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

1. PURPOSE OF THE ORGANIZATION

The Anglican Foundation of Canada [the “Foundation”] was set up as an organization to fund general purpose donations and donations designated for restricted purposes to support the work of the Anglican Church in Canada. The Foundation provides financial aid in the form of grants and loans to parts of the Anglican Church of Canada where assistance is most needed and will have the greatest impact.

The Foundation was formed under the *Canada Corporations Act* in 1957 and was continued under the *Canada Not-for-profit Corporations Act* in 2013. It is a registered charity under the *Income Tax Act* (Canada) and, as such, it is exempt from income taxes and able to issue donation receipts for income tax purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Part III of the Chartered Professional Accountants of Canada [“CPA Canada”] Handbook – Accounting, which sets out generally accepted accounting principles for not-for-profit organizations in Canada and includes the significant accounting policies summarized below.

Basis of presentation

For financial reporting purposes, the accounts have been classified into the following funds:

[a] General Fund

The General Fund accounts for the Foundation’s general fundraising, granting and administrative activities. The General Fund reports unrestricted resources available for immediate purposes.

[b] Restricted Fund

The Restricted Fund reports, as revenue, resources that are to be used for specific purposes as designated by the donor. The use of these resources for the specified purposes is recorded as expenses.

[c] Endowment Fund

The Endowment Fund reports resources where the capital must be maintained permanently. Investment income (loss) earned on these resources is reported in the Restricted Fund, General Fund or Endowment Fund, depending on restrictions imposed by the contributors.

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and units in money market funds. Cash and investments meeting the definition of cash and cash equivalents held for investing rather than operating purposes are classified as investments.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants and donations. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received since pledges are not legally enforceable claims. Unrestricted contributions are recognized as revenue in the General Fund when initially recorded in the accounts. Externally restricted contributions, except endowment contributions, are recorded in the Restricted Fund when initially recognized in the accounts. Externally restricted endowment contributions are recorded in the Endowment Fund when initially recognized in the accounts.

Memberships are recorded in the year in which they are received since these fees represent donations to the Foundation. Membership entitles the donor to vote at meetings of the Foundation.

Investment income consists of interest, dividends, distributions from pooled funds, realized gains (losses) on sale of investments and the net change in unrealized gains (losses). Investment income earned on the Endowment Fund or Restricted Fund resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Fund. Investment income subject to donor restrictions stipulating that it be added to the endowment is recognized as revenue of the Endowment Fund. Unrestricted investment income earned on Endowment Fund, Restricted Fund and General Fund resources is recognized as revenue of the General Fund. Investment losses are allocated in a manner consistent with investment income.

Grants

Grants are recorded as an expense when approved and all conditions have been met by the grantee.

Financial instruments

Investments are recorded at fair value. Transactions are recorded on a trade date basis and transaction costs are expensed as incurred.

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Other financial instruments, including accounts receivable and accounts payable and accrued liabilities, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

Expenses

The costs of personnel and other expenses directly related to functions are allocated to each function. General support and other costs are not allocated.

Capital assets

Capital assets are carried at cost less accumulated amortization. Furniture and equipment are amortized on a straight-line basis over their estimated useful lives of five to ten years.

Foreign currency translation

The market values of investments and other monetary items denominated in foreign currencies are translated into Canadian dollars at the year end rate. Revenue and expenses denominated in foreign currencies are translated at the transaction date. Translation gains and losses are recorded in the statement of operations and changes in fund balances.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.

3. INVESTMENTS

[a] Investments, which consist primarily of units in pooled funds, have the following asset mix:

	2015	2014
	\$	\$
Cash	280,365	808,489
Fixed income	4,428,566	5,871,090
Canadian equities	3,490,062	3,157,678
Global equities	6,510,862	5,076,953
	14,709,855	14,914,210

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

[b] Investment income consists of the following:

	2015 \$	2014 \$
Interest and dividends	733,266	432,088
Realized gains and changes in unrealized gains on investments	293,498	1,087,765
	1,026,764	1,519,853

4. LOANS RECEIVABLE

The continuity of loans receivable is as follows:

	2015 \$	2014 \$
Balance, beginning of year	1,732,656	2,047,997
Loans advanced during the year	115,000	110,000
	1,847,656	2,157,997
Repayments during the year	(472,680)	(425,341)
Balance, end of year	1,374,976	1,732,656

As at December 31, 2015, virtually all of the loans, with the exception of a \$250,000 loan, bear interest at 5%. The \$250,000 loan bears interest at 3.5%. Principal payments related to the loans receivable are due as follows:

	\$	%
2016	166,223	12.1
2017	145,091	10.6
2018	126,790	9.2
2019	117,236	8.5
2020	114,650	8.3
Thereafter	704,986	51.3
	1,374,976	100.0

As at December 31, 2015, there were outstanding commitments to provide loans of \$185,000 [2014 – \$100,000].

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

5. CAPITAL ASSETS

Capital assets consist of the following:

	2015	2014
	\$	\$
Furniture and equipment	25,611	25,611
Less accumulated amortization	25,611	23,199
	—	2,412

6. GENERAL FUND

The General Fund has been designated by the Board of Directors [the “Board”] as follows:

	2015	2014
	\$	\$
Undesignated	407,289	485,276
Designated for loans	2,500,000	3,000,000
Contingency Fund	2,500,000	2,000,000
Invested in capital assets <i>[note 5]</i>	—	2,412
	5,407,289	5,487,688

The Board periodically approves transfers between these items of the General Fund. During the year, the Board approved the transfer of \$500,000 from the designated for loans to contingency fund.

7. RESTRICTED FUND

The Restricted Fund includes funds held for various restricted purposes including projects at specific parishes.

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

8. ENDOWMENT FUND

[a] The Endowment Fund consists of the following:

	2015	2014
	\$	\$
Externally endowed funds	8,646,417	8,331,619
Internally endowed funds	1,171,272	1,135,753
	9,817,689	9,467,372

[b] The Foundation adopted a capital preservation policy effective January 1, 2014. This policy has the objective of protecting the real value of the endowments by limiting the amount of income available for spending and requiring the reinvestment of any income earned in excess of this limit. The amount of income currently made available for spending is based on 3.5% of the calculated moving average market value of the endowment net assets over a three-year period. In any particular year, should investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount is funded by a transfer from endowment net assets.

In fiscal 2015, investment income on endowment net assets was \$768,326 [2014 – \$1,128,426]. Of this amount, \$431,709 [2014 – \$446,751] was made available for spending, and recognized as revenue in the Restricted Fund. The balance of \$336,617 [2014 – \$681,675] was recognized as revenue in the Endowment Fund.

9. DISPOSITION OF FUNDS

On September 30, 2015, the Foundation came to a mutual decision with the beneficiary of a trust to terminate their agreement. Proceeds in the amount of \$397,039 were paid to the beneficiary by way of return of capital including any gain on investment. Pursuant to the termination of the agreement, a loan outstanding for \$150,000 from the beneficiary was considered repaid. This resulted in recording a total disposition of restricted funds in the amount of \$547,039 and a reduction of investments of \$397,039 and loans receivable of \$150,000.

In addition, the Foundation returned funds to several smaller beneficiaries or restructured funds that had minimal amounts. The total of these transactions amounted to \$32,996 and is recorded as disposition of funds.

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

10. INCOME BENEFICIARY

As at December 31, 2015, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,066,580 [2014 – \$1,074,447]. During the year, \$34,745 [2014 – \$33,150] was recorded as revenue from the trust.

11. ALLOCATION OF EXPENSES

Certain personnel and other common expenses are allocated to functions reported in the statement of operations and changes in fund balances as follows:

	2015	2014
	\$	\$
Promotion and development	83,435	69,386
Investment management	61,676	49,681
Loan management	13,409	15,454
	158,520	134,521

12. FINANCIAL INSTRUMENTS

The Foundation is exposed to various financial risks through transactions in financial instruments.

Currency risk

The Foundation is exposed to foreign currency risk with respect to the underlying investments of its pooled funds denominated in foreign currencies because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Credit risk

The Foundation is exposed to credit risk in connection with its loans receivable and the underlying short-term and fixed income investments of its pooled funds because of the risk that one party to the financial instrument may cause a financial loss for the other party by failing to discharge an obligation.

The Anglican Foundation of Canada

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

Interest rate risk

The Foundation is exposed to interest rate risk with respect to pooled funds that hold fixed income securities because the fair value of the underlying securities will fluctuate due to changes in market interest rates.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from interest rate or currency risks] in connection with its investments in pooled funds.

