

Financial statements

**The Anglican Foundation of Canada**

December 31, 2016



Building a better  
working world

# 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, 2016 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, 2016, 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.

The signature of Ernst & Young LLP is written in a black, cursive script.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
May 25, 2017



# The Anglican Foundation of Canada

## Balance sheet

As at December 31

	2016 \$	2015 \$
<b>Assets</b>		
Cash and cash equivalents	574,205	436,819
Accounts receivable	29,251	29,700
Investments, at market value <i>[note 3(a)]</i>	16,368,000	14,709,855
Loans receivable <i>[note 4]</i>	1,123,096	1,374,976
	<b>18,094,552</b>	<b>16,551,350</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	70,856	78,829
Funds held for other organizations	35,299	32,505
<b>Total liabilities</b>	<b>106,155</b>	<b>111,334</b>
<b>Fund balances</b>		
General Fund <i>[note 5]</i>	6,356,545	5,407,289
Restricted Fund <i>[note 6]</i>	848,641	1,215,038
Endowment Fund <i>[note 7]</i>	10,783,211	9,817,689
<b>Total fund balances</b>	<b>17,988,397</b>	<b>16,440,016</b>
	<b>18,094,552</b>	<b>16,551,350</b>

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

	Total		General Fund		Restricted Fund		Endowment Fund	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
			[note 5]		[note 6]		[note 7]	
<b>Revenue</b>								
Bequests and donations [note 11]	1,327,232	313,355	1,294,524	210,477	32,708	56,182	—	46,696
Investment income [notes 3[b] and 7[b]]	1,453,657	1,026,764	353,407	258,438	546,388	499,230	553,862	269,096
Loan interest	66,640	65,923	66,640	65,923	—	—	—	—
Annual contributions	114,811	110,014	114,811	110,014	—	—	—	—
Other income	30,686	30,629	30,686	30,629	—	—	—	—
	<b>2,993,026</b>	<b>1,546,685</b>	<b>1,860,068</b>	<b>675,481</b>	<b>579,096</b>	<b>555,412</b>	<b>553,862</b>	<b>315,792</b>
<b>Expenses</b>								
Promotion and development	226,894	180,885	206,677	174,279	20,217	6,606	—	—
Operating and administration	262,615	251,284	262,615	251,284	—	—	—	—
Investment management	201,493	204,736	87,010	91,079	114,483	113,657	—	—
Loan management	9,773	13,409	9,773	13,409	—	—	—	—
Non-recurring expenses [note 8]	77,787	—	77,787	—	—	—	—	—
	<b>778,562</b>	<b>650,314</b>	<b>643,862</b>	<b>530,051</b>	<b>134,700</b>	<b>120,263</b>	<b>—</b>	<b>—</b>
<b>Excess of revenue over expenses before grants and disbursements, and disposition of funds</b>	<b>2,214,464</b>	<b>896,371</b>	<b>1,216,206</b>	<b>145,430</b>	<b>444,396</b>	<b>435,149</b>	<b>553,862</b>	<b>315,792</b>
Grants and disbursements	666,083	849,839	254,450	225,829	411,633	624,010	—	—
<b>Excess (deficiency) of revenue over expenses and grants and disbursements for the year</b>	<b>1,548,381</b>	<b>46,532</b>	<b>961,756</b>	<b>(80,399)</b>	<b>32,763</b>	<b>(188,861)</b>	<b>553,862</b>	<b>315,792</b>
Disposition of funds [note 9]	—	580,035	—	—	—	547,039	—	32,996
<b>Excess (deficiency) of revenue over expenses, grants and disbursements, and disposition of funds for the year</b>	<b>1,548,381</b>	<b>(533,503)</b>	<b>961,756</b>	<b>(80,399)</b>	<b>32,763</b>	<b>(735,900)</b>	<b>553,862</b>	<b>282,796</b>
Fund balances, beginning 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
Interfund transfers [note 10]	—	—	(12,500)	—	(399,160)	(67,521)	411,660	67,521
<b>Fund balances, end of year</b>	<b>17,988,397</b>	<b>16,440,016</b>	<b>6,356,545</b>	<b>5,407,289</b>	<b>848,641</b>	<b>1,215,038</b>	<b>10,783,211</b>	<b>9,817,689</b>

See accompanying notes

## The Anglican Foundation of Canada

### Statement of cash flows

Year ended December 31

	2016 \$	2015 \$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses, grants and disbursements and disposition of funds for the year	1,548,381	(533,503)
Add (deduct) items not involving cash		
Amortization of capital assets	—	2,412
Realized gains reinvested and changes in unrealized gains on investments	(451,558)	(293,498)
	<b>1,096,823</b>	<b>(824,589)</b>
Changes in non-cash working capital balances related to operations		
Accounts receivable	449	(3,266)
Accounts payable and accrued liabilities	(7,973)	1,693
Grants payable	—	(9,795)
Net increase in funds held for other organizations	2,794	1,824
<b>Cash provided by (used in) operating activities</b>	<b>1,092,093</b>	<b>(834,133)</b>
<b>Investing activities</b>		
Redemption (purchase) of investments, net	(1,206,587)	67,818
Redemption of investments on disposition of funds	—	430,035
Advances on loans receivable	(100,000)	(115,000)
Payments on loans receivable	351,880	472,680
<b>Cash provided by (used in) investing activities</b>	<b>(954,707)</b>	<b>855,533</b>
<b>Increase in cash and cash equivalents during the year</b>	<b>137,386</b>	<b>21,400</b>
Cash and cash equivalents, beginning of year	436,819	415,419
<b>Cash and cash equivalents, end of year</b>	<b>574,205</b>	<b>436,819</b>

See accompanying notes

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2016

### 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 *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 resources that are to be used for specific purposes as designated by the donor.

#### [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.

#### 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.

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2016

### 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.

Annual contributions are recorded in the year in which they are received since these contributions represent donations to the Foundation. Annual contributions 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 and disbursements

Grants and disbursements 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.

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.

### 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.

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2016

### 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:

	<b>2016</b>	<b>2015</b>
	\$	\$
Cash and cash equivalents	<b>931,881</b>	280,365
Fixed income	<b>4,780,967</b>	4,428,566
Canadian equities	<b>4,637,395</b>	3,490,062
Global equities	<b>6,017,757</b>	6,510,862
	<b>16,368,000</b>	14,709,855

[b] Investment income consists of the following:

	<b>2016</b>	<b>2015</b>
	\$	\$
Interest and dividends	<b>1,002,099</b>	733,266
Realized gains and changes in unrealized gains on investments	<b>451,558</b>	293,498
	<b>1,453,657</b>	1,026,764



## The Anglican Foundation of Canada

### Notes to financial statements

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#### 4. Loans receivable

The continuity of loans receivable is as follows:

	2016 \$	2015 \$
<b>Balance, beginning of year</b>	<b>1,374,976</b>	1,732,656
Loans advanced during the year	<b>100,000</b>	115,000
	<b>1,474,976</b>	1,847,656
Repayments during the year, net of interest charges	<b>(351,880)</b>	(472,680)
<b>Balance, end of year</b>	<b>1,123,096</b>	1,374,976

As at December 31, 2016, virtually all of the loans, with the exception of an original loan for \$250,000, bear interest at 5%. This loan bears interest at 3.5% and has a balance of \$51,107 as at December 31, 2016.

Principal payments related to the loans receivable are due as follows:

	\$	%
2017	<b>141,913</b>	12.6
2018	<b>130,899</b>	11.7
2019	<b>123,768</b>	11.0
2020	<b>110,726</b>	9.9
2021	<b>97,229</b>	8.6
Thereafter	<b>518,561</b>	46.2
	<b>1,123,096</b>	100.0

As at December 31, 2016, there were outstanding commitments to provide loans of \$15,000 [2015 – \$185,000].

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## Notes to financial statements

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### 5. General Fund

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

	2016 \$	2015 \$
Undesignated	1,356,545	407,289
Designated for loans	2,500,000	2,500,000
Contingency Fund	2,500,000	2,500,000
	<b>6,356,545</b>	<b>5,407,289</b>

The Board periodically approves transfers between these items of the General Fund. During 2015, the Board approved the transfer of \$500,000 from designated for loans to contingency fund. There were no transfers within the General Fund during 2016.

### 6. Restricted Fund

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

### 7. Endowment Fund

[a] The Endowment Fund consists of the following:

	2016 \$	2015 \$
Externally endowed funds	9,041,660	8,646,417
Internally endowed funds	1,741,551	1,171,272
	<b>10,783,211</b>	<b>9,817,689</b>

[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 2016, investment income earned on endowment net assets was \$1,017,175 [2015 – \$682,867]. The amount made available for spending on externally endowed funds of \$393,034 [2015 – \$378,252] is recognized as revenue in the Restricted Fund. The balance of \$624,141 [2015 – \$304,615] was allocated for the preservation of capital. Of this, \$553,862 [2015 – \$269,096] related to externally endowed funds and is recorded as investment income in the Endowment Fund. Capital preservation of \$70,279 [2015 – \$35,519]

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## Notes to financial statements

December 31, 2016

related to internally endowed funds was recorded as revenue in the Restricted Fund and transferred to the Endowment Fund *[note 10]*.

[c] The Board approved a transfer of \$500,000 from the Restricted Fund to the Endowment Fund *[note 10]* related to a donation received for restricted purposes that is to be managed as an endowment.

### 8. Non-recurring expenses

During 2016, the Foundation incurred certain expenses that are not in the ordinary course of operations amounting to \$77,787. While there will be additional costs in fiscal 2017, the Foundation does not expect these costs to recur on a regular basis.

### 9. Disposition of funds

During 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.

### 10. Interfund transfers

Interfund transfers consist of the following:

	2016		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Capital preservation on internally endowed funds <i>[note 7[b]]</i>	—	(70,279)	70,279
Transfer of internally endowed funds <i>[note 7[c]]</i>	—	(500,000)	500,000
Transfer of funds not disbursed	—	(51,883)	51,883
Transfer of internally restricted donations	(12,500)	12,500	—
Transfer of funds pursuant to donor amendments	—	210,502	(210,502)
	(12,500)	(399,160)	411,660

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## Notes to financial statements

December 31, 2016

	2015		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Capital preservation on internally endowed funds <i>[note 7[b]]</i>	—	(35,519)	35,519
Transfer of funds not disbursed	—	(32,002)	32,002
	—	(67,521)	67,521

### 11. Income beneficiary

As at December 31, 2016, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,109,292 [2015 – \$1,066,580]. During the year, \$36,334 [2015 – \$34,745] was recorded as revenue from the trust.

### 12. Allocation of costs

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

	2016	2015
	\$	\$
Promotion and development	105,797	83,435
Investment management	57,309	61,676
Loan management	9,773	13,409
	172,879	158,520

### 13. 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.

**The Anglican Foundation of Canada**

**Notes to financial statements**

December 31, 2016

**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.

**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.

**14. Comparative figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.

