

# The Anglican Foundation of Canada

Financial statements  
December 31, 2017



# 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, 2017, 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, 2017, 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 23, 2018

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# The Anglican Foundation of Canada

## Balance sheet

As at December 31

	2017 \$	2016 \$
<b>Assets</b>		
Cash and cash equivalents	344,547	574,205
Accounts receivable	26,113	29,251
Investments, at market value [note 3(a)]	16,703,962	16,368,000
Loans receivable [note 4]	966,168	1,123,096
	<b>18,040,790</b>	<b>18,094,552</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	62,715	70,856
Funds held for other organizations	33,311	35,299
<b>Total liabilities</b>	<b>96,026</b>	<b>106,155</b>
<b>Fund balances</b>		
General Fund [note 5]	5,976,426	6,356,545
Restricted Fund [note 6]	825,737	848,641
Endowment Fund [note 7]	11,142,601	10,783,211
<b>Total fund balances</b>	<b>17,944,764</b>	<b>17,988,397</b>
	<b>18,040,790</b>	<b>18,094,552</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	
	2017	2016	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$	\$	\$
			[note 5]		[note 6]		[note 7]	
<b>Revenue</b>								
Bequests and gifts [note 10]	385,139	1,327,232	208,893	1,294,524	50,110	32,708	126,136	—
Annual contributions	107,577	114,811	107,577	114,811	—	—	—	—
Investment income [notes 3[b] and 7[b]]	1,041,150	1,453,657	351,819	382,722	508,697	517,073	180,634	553,862
Loan interest	50,000	66,640	50,000	66,640	—	—	—	—
Other income	3,458	1,371	3,458	1,371	—	—	—	—
	<b>1,587,324</b>	<b>2,963,711</b>	<b>721,747</b>	<b>1,860,068</b>	<b>558,807</b>	<b>549,781</b>	<b>306,770</b>	<b>553,862</b>
<b>Expenses</b>								
Promotion and development [note 11]	254,014	226,894	225,440	206,677	28,574	20,217	—	—
Operating and administration	300,538	262,615	300,538	262,615	—	—	—	—
Investment management and fund administration [note 11]	175,501	172,178	90,393	87,010	85,108	85,168	—	—
Loan management [note 11]	9,222	9,773	9,222	9,773	—	—	—	—
Non-recurring expenses [note 8]	87,436	77,787	87,436	77,787	—	—	—	—
	<b>826,711</b>	<b>749,247</b>	<b>713,029</b>	<b>643,862</b>	<b>113,682</b>	<b>105,385</b>	<b>—</b>	<b>—</b>
<b>Excess of revenue over expenses before grants and disbursements</b>	<b>760,613</b>	<b>2,214,464</b>	<b>8,718</b>	<b>1,216,206</b>	<b>445,125</b>	<b>444,396</b>	<b>306,770</b>	<b>553,862</b>
Grants and disbursements	804,246	666,083	388,837	254,450	415,409	411,633	—	—
<b>Excess (deficiency) of revenue over expenses and grants and disbursements for the year</b>	<b>(43,633)</b>	<b>1,548,381</b>	<b>(380,119)</b>	<b>961,756</b>	<b>29,716</b>	<b>32,763</b>	<b>306,770</b>	<b>553,862</b>
Fund balances, beginning of year	17,988,397	16,440,016	6,356,545	5,407,289	848,641	1,215,038	10,783,211	9,817,689
Interfund transfers [note 9]	—	—	—	(12,500)	(52,620)	(399,160)	52,620	411,660
<b>Fund balances, end of year</b>	<b>17,944,764</b>	<b>17,988,397</b>	<b>5,976,426</b>	<b>6,356,545</b>	<b>825,737</b>	<b>848,641</b>	<b>11,142,601</b>	<b>10,783,211</b>

See accompanying notes

## The Anglican Foundation of Canada

### Statement of cash flows

Year ended December 31

	2017 \$	2016 \$
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenses and grants and disbursements for the year	(43,633)	1,548,381
Deduct item not involving cash		
Realized gains reinvested and changes in unrealized gains on investments	(663,997)	(451,558)
	<u>(707,630)</u>	<u>1,096,823</u>
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable	3,138	449
Decrease in accounts payable and accrued liabilities	(8,141)	(7,973)
Increase (decrease) in funds held for other organizations, net	(1,988)	2,794
<b>Cash provided by (used in) operating activities</b>	<u>(714,621)</u>	<u>1,092,093</u>
<b>Investing activities</b>		
Redemption (purchase) of investments, net	328,035	(1,206,587)
Advances on loans receivable	(15,000)	(100,000)
Payments received on loans receivable	171,928	351,880
<b>Cash provided by (used in) investing activities</b>	<u>484,963</u>	<u>(954,707)</u>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(229,658)</b>	<b>137,386</b>
Cash and cash equivalents, beginning of year	<u>574,205</u>	<u>436,819</u>
<b>Cash and cash equivalents, end of year</b>	<b><u>344,547</u></b>	<b><u>574,205</u></b>

See accompanying notes

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2017

### 1. Purpose of the organization

The Anglican Foundation of Canada [the "Foundation"] was set up as an organization to fund general purpose gifts and gifts designated for restricted purposes to support the work of the Anglican Church of 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 gift 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 either external or internal restrictions require that the principal must be maintained permanently or administered in accordance with the Foundation's endowment management policy. Investment income (loss) earned on these resources is reported in the Restricted Fund, General Fund or Endowment Fund, depending on restrictions imposed by the donor.

#### 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, 2017

### Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions, which include grants and gifts. 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 gifts 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 gifts to the Foundation. Annual contributions entitle 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.

### Allocation of expenses

The costs of personnel 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, 2017

### 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:

	2017	2016
	\$	\$
Cash and cash equivalents	1,142,517	931,881
Fixed income	4,781,729	4,780,967
Canadian equities	4,281,896	4,637,395
Global equities	6,497,820	6,017,757
	<b>16,703,962</b>	<b>16,368,000</b>

[b] Investment income consists of the following:

	2017	2016
	\$	\$
Interest and dividends	377,153	1,002,099
Realized gains and changes in unrealized gains on investments	663,997	451,558
	<b>1,041,150</b>	<b>1,453,657</b>

### 4. Loans receivable

The continuity of loans receivable is as follows:

	2017	2016
	\$	\$
<b>Balance, beginning of year</b>	<b>1,123,096</b>	1,374,976
Loans advanced during the year	<b>15,000</b>	100,000
	<b>1,138,096</b>	1,474,976
Repayments during the year, net of interest charges	<b>(171,928)</b>	(351,880)
<b>Balance, end of year</b>	<b>966,168</b>	1,123,096

As at December 31, 2017, all of the loans bear interest at 5% [2016 – all of the loans bear interest at 5%, with the exception of an original loan for \$250,000 with interest at 3.5%, which matured during 2017].



# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2017

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

	\$	%
2018	113,109	11.7
2019	99,755	10.3
2020	96,622	10.0
2021	93,167	9.6
2022	93,527	9.7
Thereafter	469,988	48.7
	<b>966,168</b>	<b>100.0</b>

As at December 31, 2017, there were no outstanding commitments to provide loans [2016 – \$15,000].

### 5. General Fund

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

	2017 \$	2016 \$
Undesignated	976,426	1,356,545
Designated for loans	2,500,000	2,500,000
Contingency Fund	2,500,000	2,500,000
	<b>5,976,426</b>	<b>6,356,545</b>

The Board periodically approves transfers between these items of the General Fund. There were no transfers within the General Fund during 2017 and 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:

	2017 \$	2016 \$
Externally endowed funds	9,367,949	9,041,660
Internally endowed funds	1,774,652	1,741,551
	<b>11,142,601</b>	<b>10,783,211</b>

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2017

[b] The Foundation has adopted a capital preservation policy. 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 4% [2016 – 3.5%] of the calculated moving average market value of the endowment net assets over a three-year period. Of the amount of income available for spending, an amount is credited to the General Fund for administration fees in accordance with the Foundation's policy. The spending rate represents the expected long-term real rate of return [income earned, including realized and unrealized gains and losses, less inflation] on these investments and is reviewed periodically. 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 2017, investment income earned on endowment net assets was \$662,804 [2016 – \$1,017,175]. The amount made available for spending on externally endowed funds of \$449,069 [2016 - \$393,034] is recognized as revenue in the Restricted Fund. The balance of \$213,735 [2016 – \$624,141] was allocated for the preservation of capital. Of this, \$180,634 [2016 - \$553,862] related to capital preservation of externally endowed funds and is recorded as investment income in the Endowment Fund. Capital preservation of \$33,101 [2016 - \$70,279] related to internally endowed funds was recorded as revenue in the Restricted Fund and transferred to the Endowment Fund [note 9].

[c] In 2016, the Board approved a transfer of \$500,000 from the Restricted Fund to the Endowment Fund [note 9] related to a gift received for restricted purposes that is to be managed as an endowment.

### 8. Non-recurring expenses

During 2017, the Foundation incurred certain expenses that are not in the ordinary course of operations amounting to \$87,436 [2016 – \$77,787]. The Foundation does not expect these costs to recur on a regular basis.

### 9. Interfund transfers

Interfund transfers consist of the following:

	2017		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Capital preservation on internally endowed funds [note 7[b]]	—	(33,101)	33,101
Transfer of funds not disbursed	—	(19,519)	19,519
	—	(52,620)	52,620

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2017

	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 gifts	(12,500)	12,500	—
Transfer of funds pursuant to donor amendments	—	210,502	(210,502)
	(12,500)	(399,160)	411,660

### 10. Income beneficiary

As at December 31, 2017, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,128,207 [2016 – \$1,109,292]. During the year, \$35,197 [2016 – \$36,334] was recorded as revenue from the trust.

### 11. Allocation of costs

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

	2017	2016
	\$	\$
Promotion and development	143,951	105,797
Investment management and fund administration	56,117	57,309
Loan management	9,222	9,773
	209,290	172,879

### 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

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2017

### **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.

### **13. Comparative figures**

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