

The Anglican Foundation of Canada

Financial statements
December 31, 2018



Independent auditor's report

To the Members of
The Anglican Foundation of Canada

Opinion

We have audited the financial statements of **The Anglican Foundation of Canada** [the "Foundation"], which comprise the balance sheet as at December 31, 2018, and the statement of operations and changes in fund balances and statement of cash flows 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 financial position of the Foundation as at December 31, 2018 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.

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 Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our 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.

Other information included in the foundation's annual report

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Annual Report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Canadian generally accepted 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.

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



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

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 Foundation'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 Foundation'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 Foundation 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.

Toronto, Canada
May 22, 2019

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants



The Anglican Foundation of Canada

Balance sheet

As at December 31

	2018	2017
	\$	\$
Assets		
Cash and cash equivalents	180,907	344,547
Accounts receivable <i>[note 5]</i>	45,643	26,113
Investments, at fair value <i>[note 3[a]]</i>	15,830,285	16,703,962
Loans receivable <i>[note 4]</i>	830,109	966,168
	16,886,944	18,040,790
Liabilities and fund balances		
Liabilities		
Accounts payable and accrued liabilities	38,890	62,715
Grants payable	156,739	—
Funds held for other organizations	32,529	33,311
Total liabilities	228,158	96,026
Fund balances		
General Fund <i>[note 5]</i>	5,416,737	5,976,426
Restricted Fund	713,075	825,737
Endowment Fund <i>[note 6]</i>	10,528,974	11,142,601
Total fund balances	16,658,786	17,944,764
	16,886,944	18,040,790

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	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Bequests and gifts <i>[note 9]</i>	188,590	385,139	134,404	208,893	54,186	50,110	—	126,136
Annual contributions	138,896	107,577	138,896	107,577	—	—	—	—
Investment income (loss) <i>[notes 3[b] and 6[b]]</i>	(159,184)	1,041,150	(44,598)	351,819	(22,242)	508,697	(92,344)	180,634
Loan interest	44,686	50,000	44,686	50,000	—	—	—	—
Other income	2,434	3,458	2,434	3,458	—	—	—	—
	215,422	1,587,324	275,822	721,747	31,944	558,807	(92,344)	306,770
Expenses								
Promotion and development <i>[note 10]</i>	251,913	254,014	236,237	225,440	15,676	28,574	—	—
Operating and administration	268,211	300,538	268,211	300,538	—	—	—	—
Investment management and fund administration <i>[note 10]</i>	172,861	175,501	90,937	90,393	81,924	85,108	—	—
Loan management <i>[note 10]</i>	8,354	9,222	8,354	9,222	—	—	—	—
Non-recurring expenses <i>[note 8]</i>	—	87,436	—	87,436	—	—	—	—
	701,339	826,711	603,739	713,029	97,600	113,682	—	—
Excess (deficiency) of revenue over expenses before grants and disbursements								
	(485,917)	760,613	(327,917)	8,718	(65,656)	445,125	(92,344)	306,770
Grants and disbursements	800,061	804,246	301,341	388,837	498,720	415,409	—	—
Excess (deficiency) of revenue over expenses and grants and disbursements for the year								
	(1,285,978)	(43,633)	(629,258)	(380,119)	(564,376)	29,716	(92,344)	306,770
Fund balances, beginning of year	17,944,764	17,988,397	5,976,426	6,356,545	825,737	848,641	11,142,601	10,783,211
Interfund transfers <i>[note 7]</i>	—	—	69,569	—	451,714	(52,620)	(521,283)	52,620
Fund balances, end of year	16,658,786	17,944,764	5,416,737	5,976,426	713,075	825,737	10,528,974	11,142,601

See accompanying notes

The Anglican Foundation of Canada

Statement of cash flows

Year ended December 31

	2018 \$	2017 \$
Operating activities		
Deficiency of revenue over expenses and grants and disbursements for the year	(1,285,978)	(43,633)
Deduct item not involving cash		
Realized losses (gains) reinvested and changes in unrealized gains on investments	689,409	(663,997)
	<u>(596,569)</u>	<u>(707,630)</u>
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable	(19,530)	3,138
Decrease in accounts payable and accrued liabilities	(23,825)	(8,141)
Increase in grants payable	156,739	—
Decrease in funds held for other organizations, net	(782)	(1,988)
Cash used in operating activities	<u>(483,967)</u>	<u>(714,621)</u>
Investing activities		
Redemption of investments, net	184,268	328,035
Advances on loans receivable	(15,000)	(15,000)
Payments received on loans receivable	151,059	171,928
Cash provided by investing activities	<u>320,327</u>	<u>484,963</u>
Net decrease in cash and cash equivalents during the year	(163,640)	(229,658)
Cash and cash equivalents, beginning of year	344,547	574,205
Cash and cash equivalents, end of year	<u>180,907</u>	<u>344,547</u>

See accompanying notes

The Anglican Foundation of Canada

Notes to financial statements

December 31, 2018

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*, "Accounting Standards for Not-for-Profit Organizations" 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, including projects to support specific regions, parishes and dioceses, 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 and 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.

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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 the foundation has notified 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.

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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:

	2018 \$	2017 \$
Cash and cash equivalents	785,741	1,142,517
Fixed income	4,670,077	4,781,729
Canadian equities	3,745,465	4,281,896
Global equities	6,629,002	6,497,820
	15,830,285	16,703,962

[b] Investment income (loss) consists of the following:

	2018 \$	2017 \$
Interest and dividends	530,225	377,153
Realized gains (losses) and changes in unrealized gains on investments	(689,409)	663,997
	(159,184)	1,041,150

4. Loans receivable

The continuity of loans receivable is as follows:

	2018 \$	2017 \$
Balance, beginning of year	966,168	1,123,096
Loans advanced during the year	15,000	15,000
	981,168	1,138,096
Repayments during the year, net of interest charges	(151,059)	(171,928)
Balance, end of year	830,109	966,168

As at December 31, 2018, all of the loans bear interest at 5% [2017 – 5%].

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

	\$
2019	88,218
2020	87,932
2021	84,699
2022	84,802
2023	84,450
Thereafter	400,008
	<u>830,109</u>

As at December 31, 2018 and 2017, there were no outstanding commitments to provide loans.

5. General Fund

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

	2018 \$	2017 \$
Undesignated	416,737	976,426
Designated for loans	2,500,000	2,500,000
Contingency Fund	2,500,000	2,500,000
	<u>5,416,737</u>	<u>5,976,426</u>

The Board periodically approves transfers between these items of the General Fund. There were no transfers within the General Fund during 2018 and 2017.

As at December 31, 2018, accounts receivable includes \$17,365 representing the estimated payment of one bequest, which is recorded in bequests and gifts revenue in the General Fund. The amount was collected subsequent to year-end.

6. Endowment Fund

[a] The Endowment Fund consists of the following:

	2018 \$	2017 \$
Externally endowed funds	8,838,219	9,367,949
Internally endowed funds	1,690,755	1,774,652
	<u>10,528,974</u>	<u>11,142,601</u>

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- [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 calculated amount of income currently made available for spending is based on 4% [2017 – 4%] of the moving average market value of the endowment net assets over a three-year period. 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. Of this calculated amount of income available for spending, an amount is allocated to the General Fund for administration fees in accordance with the Foundation's policy

In any particular year, should investment income be insufficient to fund the calculated amount to be made available for spending or if investment returns are negative, the shortfall is funded by a transfer from the Endowment Fund to the Restricted or General Fund, respectively, depending on the use of funds.

In fiscal 2018, there was a total net investment loss of \$159,184, of which, \$109,545 related to investments held for endowments. Investment losses of \$92,344 related to externally endowed funds were recorded directly in the Endowment Fund. Investment losses of \$17,201 relating to internally endowed funds were recorded in the Restricted Fund.

The calculated amount of income made available for spending from externally endowed net assets in 2018 was \$445,847. Of this amount, \$384,153 was transferred from the Endowment Fund to the Restricted Fund, and the remaining amount of \$61,694 was transferred from the Endowment Fund to the General Fund for administrative fees [note 7]. The calculated amount of income made available for spending from internally endowed net assets in 2018 was \$83,897. Of this amount, \$76,022 was transferred from the Endowment Fund to the Restricted Fund, and the remaining amount of \$7,875 was transferred from the Endowment Fund to the General Fund for administrative fees [note 7].

In fiscal 2017, investment income earned on endowment net assets was \$662,804. The calculated amount made available for spending on externally endowed funds of \$449,069 is recognized as revenue in the Restricted Fund. The balance of \$213,735 was allocated for the preservation of capital. Of this, \$180,634 related to capital preservation of externally endowed funds and is recorded as investment income in the Endowment Fund. Capital preservation of \$33,101 related to internally endowed funds was recorded as revenue in the Restricted Fund and transferred to the Endowment Fund [note 7].

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7. Interfund transfers

Interfund transfers consist of the following:

	2018		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Shortfall between investment income earned and the calculated amount available for spending related to externally endowed funds <i>[note 6[b]]</i>	61,694	384,153	(445,847)
Shortfall between investment income earned and the calculated amount available for spending related to internally endowed funds <i>[note 6[b]]</i>	7,875	76,022	(83,897)
Transfer of funds not disbursed	—	(8,461)	8,461
	69,569	451,714	(521,283)

	2017		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Capital preservation on internally endowed funds <i>[note 6[b]]</i>	—	(33,101)	33,101
Transfer of funds not disbursed	—	(19,519)	19,519
	—	(52,620)	52,620

8. Non-recurring expenses

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

9. Income beneficiary

As at December 31, 2018, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,073,124 [2017 – \$1,128,207]. During the year, \$30,925 [2017 – \$35,197] was recorded as revenue from the trust.

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10. Allocation of costs

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

	2018 \$	2017 \$
Promotion and development	146,466	143,951
Investment management and fund administration	52,385	56,117
Loan management	8,354	9,222
	<u>207,205</u>	<u>209,290</u>

11. 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.

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.