

# The Anglican Foundation of Canada

Financial statements  
December 31, 2020



# 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, 2020, 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, 2020, and its results of 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 other 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 in this auditor's report. 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 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 19, 2021

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants



# The Anglican Foundation of Canada

## Balance sheet

As at December 31

	2020	2019
	\$	\$
<b>Assets</b>		
Cash and cash equivalents	345,116	790,855
Accounts receivable	13,473	22,316
Investments, at fair value <i>[note 3(a)]</i>	17,885,676	17,192,184
Loans receivable <i>[note 4]</i>	847,090	674,016
	<b>19,091,355</b>	<b>18,679,371</b>
<b>Liabilities and fund balances</b>		
<b>Liabilities</b>		
Accounts payable and accrued liabilities	38,031	67,921
Grants payable	90,500	178,100
Funds held for other organizations <i>[note 5]</i>	539,238	36,272
<b>Total liabilities</b>	<b>667,769</b>	<b>282,293</b>
<b>Fund balances</b>		
General Fund <i>[note 6]</i>	5,392,494	5,427,465
Restricted Fund	891,117	698,714
Endowment Fund <i>[note 7]</i>	12,139,975	12,270,899
<b>Total fund balances</b>	<b>18,423,586</b>	<b>18,397,078</b>
	<b>19,091,355</b>	<b>18,679,371</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	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$	\$	\$
<b>Revenue</b>								
Bequests and gifts <i>[note 9]</i>	142,712	1,122,824	85,355	302,191	57,357	45,633	—	775,000
Annual contributions	165,680	151,152	165,680	151,152	—	—	—	—
Investment income <i>[notes 3[b] and 7[b]]</i>	795,028	2,047,934	243,746	647,860	551,282	611,391	—	788,683
Loan interest	25,460	27,915	25,460	27,915	—	—	—	—
Other income	10,022	4,787	10,022	4,787	—	—	—	—
	<b>1,138,902</b>	<b>3,354,612</b>	<b>530,263</b>	<b>1,133,905</b>	<b>608,639</b>	<b>657,024</b>	<b>—</b>	<b>1,563,683</b>
<b>Expenses</b>								
Operating and administration <i>[note 10]</i>	191,835	286,689	191,835	286,689	—	—	—	—
Promotion and development <i>[note 10]</i>	199,102	279,515	197,990	267,051	1,112	12,464	—	—
Investment management and fund administration <i>[note 10]</i>	168,708	173,344	85,773	88,493	82,935	84,851	—	—
Loan management <i>[note 10]</i>	14,740	8,373	14,740	8,373	—	—	—	—
	<b>574,385</b>	<b>747,921</b>	<b>490,338</b>	<b>650,606</b>	<b>84,047</b>	<b>97,315</b>	<b>—</b>	<b>—</b>
<b>Excess of revenue over expenses before grants and disbursements</b>	<b>564,517</b>	<b>2,606,691</b>	<b>39,925</b>	<b>483,299</b>	<b>524,592</b>	<b>559,709</b>	<b>—</b>	<b>1,563,683</b>
Grants and disbursements	538,009	868,399	200,822	464,566	337,187	403,833	—	—
<b>Excess (deficiency) of revenue over expenses and grants and disbursements for the year</b>	<b>26,508</b>	<b>1,738,292</b>	<b>(160,897)</b>	<b>18,733</b>	<b>187,405</b>	<b>155,876</b>	<b>—</b>	<b>1,563,683</b>
Fund balances, beginning of year	18,397,078	16,658,786	5,427,465	5,416,737	698,714	713,075	12,270,899	10,528,974
Interfund transfers <i>[note 8]</i>	—	—	125,926	(8,005)	4,998	(170,237)	(130,924)	178,242
<b>Fund balances, end of year</b>	<b>18,423,586</b>	<b>18,397,078</b>	<b>5,392,494</b>	<b>5,427,465</b>	<b>891,117</b>	<b>698,714</b>	<b>12,139,975</b>	<b>12,270,899</b>

See accompanying notes

## The Anglican Foundation of Canada

### Statement of cash flows

Year ended December 31

	2020	2019
	\$	\$
<b>Operating activities</b>		
Excess of revenue over expenses and grants and disbursements for the year	26,508	1,738,292
Add (deduct) items not involving cash		
Reinvested investment income	(738,403)	(725,126)
Unrealized loss (gain) on investments	57,905	(1,207,515)
	<u>(653,990)</u>	<u>(194,349)</u>
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable	8,843	23,327
Increase (decrease) in accounts payable and accrued liabilities	(29,890)	29,031
Increase (decrease) in grants payable	(87,600)	21,361
Increase in funds held for other organizations, net	502,966	3,743
<b>Cash used in operating activities</b>	<u>(259,671)</u>	<u>(116,887)</u>
<b>Investing activities</b>		
Redemption of investments, net	(12,994)	570,742
Advances on loans receivable	(270,000)	(100,000)
Payments received on loans receivable	96,926	256,093
<b>Cash provided by (used in) investing activities</b>	<u>(186,068)</u>	<u>726,835</u>
<b>Net increase (decrease) in cash during the year</b>	<b>(445,739)</b>	609,948
Cash and cash equivalents, beginning of year	<u>790,855</u>	<u>180,907</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>345,116</b></u>	<u>790,855</u>

See accompanying notes

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2020

### 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:

##### *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.

##### *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.

##### *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.

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2020

### 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.



# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2020

### 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:

	2020	2019
	\$	\$
Cash and cash equivalents	521,257	434,739
Fixed income	4,502,839	4,906,689
Canadian equities	3,765,969	4,261,518
Global equities	6,691,731	7,589,238
Infrastructure and real estate	2,403,880	—
	<b>17,885,676</b>	<b>17,192,184</b>

[b] Investment income consists of the following:

	2020	2019
	\$	\$
Interest and dividends	532,760	631,802
Realized gains and changes in unrealized gains on investments	262,268	1,416,132
	<b>795,028</b>	<b>2,047,934</b>

### 4. Loans receivable

The continuity of loans receivable is as follows:

	2020	2019
	\$	\$
<b>Balance, beginning of year</b>	<b>674,016</b>	830,109
Loans advanced during the year	270,000	100,000
	<b>944,016</b>	930,109
Repayments during the year, net of interest charges	(96,926)	(256,093)
<b>Balance, end of year</b>	<b>847,090</b>	674,016

As at December 31, 2020, all of the loans bear interest at 5% [2019 – 5%]. Due to the COVID-19 pandemic and the financial impact on the economy, the Foundation gave the option to defer loan principal and waive interest payments to all loan holders during the six-month period from April 1, 2020 to September 30, 2020, and to extend the maturity date of the loans by six months, which resulted in reduced interest income of \$8,023 during the year ended December 31, 2020.

## The Anglican Foundation of Canada

### Notes to financial statements

December 31, 2020

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

	\$
2021	85,863
2022	79,113
2023	75,929
2024	77,870
2025	70,762
Thereafter	457,553
	<u>847,090</u>

As at December 31, 2020, there were commitments outstanding to provide loans for \$40,000 [2019 – \$170,000].

#### 5. Funds held for other organizations

The continuity of funds held for other organizations is as follows:

	2020 \$	2019 \$
<b>Balance, beginning of year</b>	<b>36,272</b>	32,529
Funds advanced from organizations	<b>537,000</b>	—
Funds returned to organizations	<b>(35,576)</b>	—
Investment income	<b>1,542</b>	3,743
<b>Balance, end of year</b>	<b>539,238</b>	36,272

Funds held for other organizations consist of funds placed with the Foundation for investment within its pooled funds. The investment income earned on these funds is distributed in accordance with the Foundation's investment policy for the purposes designated by the other organization, which support Anglican communities and projects across Canada.

#### 6. General Fund

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

	2020 \$	2019 \$
Undesignated	<b>1,392,494</b>	1,427,465
Designated for loans	<b>2,000,000</b>	2,000,000
Contingency	<b>2,000,000</b>	2,000,000
	<b>5,392,494</b>	5,427,465

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2020

The Board periodically approves transfers between these items of the General Fund. In 2019, the Board approved the transfer of \$500,000 from each of the Designated for loans and Contingency funds for a total of \$1,000,000 to the Undesignated fund.

### 7. Endowment Fund

[a] The Endowment Fund consists of the following:

	2020 \$	2019 \$
Externally endowed funds	10,322,026	10,437,795
Internally endowed funds	1,817,949	1,833,104
	<b>12,139,975</b>	<b>12,270,899</b>

[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% [2019 – 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. In addition, an amount is allocated to the General Fund to fund administrative 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 2020, investment income earned on endowment net assets was \$540,288. The amount made available for spending on externally endowed funds of \$471,807 is recognized as revenue in the Restricted Fund. In the current year there was a shortfall of \$140,380 of investment income earned to cover both investment management and fund administration fees. As a result, \$14,454 and \$125,926 was transferred from the Endowment Fund to the Restricted Fund and General Fund, respectively [note 8].

In fiscal 2019, investment income earned on endowment net assets was \$1,357,149. The amount made available for spending on externally endowed funds of \$426,117 is recognized as revenue in the Restricted Fund. The balance of \$931,032 was allocated for preservation of capital. Of this, \$788,683 relates to capital preservation of externally endowed funds and is recorded as investment income in the Endowment Fund. Capital preservation of \$142,349 relates to internally endowed funds was recorded as revenue in the Restricted Fund and transferred to the Endowment Fund [note 8].

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2020

### 8. Interfund transfers

Interfund transfers consist of the following:

	2020		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Shortfall of investment income earned to fund administrative fees related to externally endowed funds <i>[note 7[b]]</i>	125,926	14,454	(140,380)
Transfer of funds not disbursed	—	(9,456)	9,456
	<b>125,926</b>	<b>4,998</b>	<b>(130,924)</b>

  

	2019		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Reimbursement for closure of trusts	(8,005)	8,005	—
Capital preservation of internally endowed funds <i>[note 7[b]]</i>	—	(142,349)	142,349
Transfer of funds not disbursed	—	(35,893)	35,893
	<b>(8,005)</b>	<b>(170,237)</b>	<b>178,242</b>

### 9. Income beneficiary

As at December 31, 2020, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,221,921 [2019 – \$1,192,653]. During the year, \$28,900 [2019 – \$30,204] was recorded as revenue from the trust and is recorded in the General Fund.

### 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:

	2020	2019
	\$	\$
Promotion and development	131,216	155,677
Investment management and fund administration	53,607	54,312
Loan management	14,740	8,373
	<b>199,563</b>	<b>218,362</b>

# The Anglican Foundation of Canada

## Notes to financial statements

December 31, 2020

### 11. Financial instruments

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

#### Currency risk

The Foundation is exposed to 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.

### 12. COVID-19

In March 2020, the outbreak of the novel coronavirus disease [“COVID-19”] was declared a pandemic by the World Health Organization and resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures caused material disruption to business globally, resulting in an economic slowdown. Global equity and fixed income markets have experienced significant uncertainty and volatility, and governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

There continues to be uncertainty as to the length and severity of market disruptions due to the COVID-19 outbreak and impact on the financial position and financial results of the Foundation in future periods as a result, particularly as it relates to the future impact on the investment portfolio and investment performance.

Management continues to have a reasonable expectation that the Foundation has adequate resources to continue operations and that the going concern basis of accounting remains appropriate.