

The Anglican Foundation of Canada

Financial statements
December 31, 2021



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, 2021, 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, 2021, 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

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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 25, 2022



The Anglican Foundation of Canada

Balance sheet

As at December 31

	2021	2020
	\$	\$
Assets		
Cash and cash equivalents	293,371	345,116
Accounts receivable and other	226,134	13,473
Investments, at fair value <i>[note 3[a]]</i>	20,190,881	17,885,676
Loans receivable <i>[note 4]</i>	760,566	847,090
	21,470,952	19,091,355
Liabilities and fund balances		
Liabilities		
Accounts payable and accrued liabilities	54,701	38,031
Grants payable	483,945	90,500
Funds held for other organizations <i>[note 5]</i>	606,948	539,238
Total liabilities	1,145,594	667,769
Fund balances		
General Fund <i>[note 6]</i>	5,841,029	5,392,494
Restricted Fund	1,057,897	891,117
Endowment Fund <i>[note 7]</i>	13,426,432	12,139,975
Total fund balances	20,325,358	18,423,586
	21,470,952	19,091,355

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	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue								
Bequests and gifts <i>[note 9]</i>	776,543	142,712	391,041	85,355	385,502	57,357	—	—
Annual contributions	170,610	165,680	170,610	165,680	—	—	—	—
Investment income <i>[notes 3[b] and 7[b]]</i>	2,550,790	795,028	794,701	243,746	692,110	551,282	1,063,979	—
Loan interest	38,614	25,460	38,614	25,460	—	—	—	—
Other income	3,081	10,022	3,081	10,022	—	—	—	—
	3,539,638	1,138,902	1,398,047	530,263	1,077,612	608,639	1,063,979	—
Expenses								
Promotion and development <i>[note 10]</i>	235,322	199,102	233,645	197,990	1,677	1,112	—	—
Operating and administration <i>[note 10]</i>	214,678	191,835	214,678	191,835	—	—	—	—
Investment management and fund administration <i>[note 10]</i>	192,681	168,708	85,900	85,773	106,781	82,935	—	—
Loan management <i>[note 10]</i>	9,544	14,740	9,544	14,740	—	—	—	—
	652,225	574,385	543,767	490,338	108,458	84,047	—	—
Excess of revenue over expenses before grants and disbursements	2,887,413	564,517	854,280	39,925	969,154	524,592	1,063,979	—
Grants and disbursements	985,641	538,009	405,745	200,822	579,896	337,187	—	—
Excess (deficiency) of revenue over expenses and grants and disbursements for the year	1,901,772	26,508	448,535	(160,897)	389,258	187,405	1,063,979	—
Fund balances, beginning of year	18,423,586	18,397,078	5,392,494	5,427,465	891,117	698,714	12,139,975	12,270,899
Interfund transfers <i>[note 8]</i>	—	—	—	125,926	(222,478)	4,998	222,478	(130,924)
Fund balances, end of year	20,325,358	18,423,586	5,841,029	5,392,494	1,057,897	891,117	13,426,432	12,139,975

See accompanying notes

The Anglican Foundation of Canada

Statement of cash flows

Year ended December 31

	2021	2020
	\$	\$
Operating activities		
Excess of revenue over expenses and grants and disbursements for the year	1,901,772	26,508
Add (deduct) items not involving cash		
Reinvested investment income	(611,504)	(738,403)
Unrealized loss (gain) on investments	(1,876,923)	57,905
	<u>(586,655)</u>	<u>(653,990)</u>
Changes in non-cash working capital balances related to operations		
Decrease (increase) in accounts receivable and other	(212,661)	8,843
Increase (decrease) in accounts payable and accrued liabilities	16,670	(29,890)
Increase (decrease) in grants payable	393,445	(87,600)
Increase in funds held for other organizations, net	67,710	502,966
Cash used in operating activities	<u>(321,491)</u>	<u>(259,671)</u>
Investing activities		
Withdrawal (redemption) of investments, net	183,222	(12,994)
Advances on loans receivable	(40,000)	(270,000)
Payments received on loans receivable	126,524	96,926
Cash provided by (used in) investing activities	<u>269,746</u>	<u>(186,068)</u>
Net decrease in cash during the year	(51,745)	(445,739)
Cash and cash equivalents, beginning of year	<u>345,116</u>	<u>790,855</u>
Cash and cash equivalents, end of year	<u>293,371</u>	<u>345,116</u>

See accompanying notes

The Anglican Foundation of Canada

Notes to financial statements

December 31, 2021

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.

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Notes to financial statements

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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:

	2021	2020
	\$	\$
Cash and cash equivalents	238,489	521,257
Fixed income	4,681,601	4,502,839
Canadian equities	4,522,603	3,765,969
Global equities	8,250,219	6,691,731
Infrastructure and real estate	2,497,969	2,403,880
	20,190,881	17,885,676

[b] Investment income consists of the following:

	2021	2020
	\$	\$
Interest and dividends	594,716	532,760
Realized gains and changes in unrealized gains on investments	1,956,074	262,268
	2,550,790	795,028

4. Loans receivable

The continuity of loans receivable is as follows:

	2021	2020
	\$	\$
Balance, beginning of year	847,090	674,016
Loans advanced during the year	40,000	270,000
	887,090	944,016
Repayments during the year, net of interest charges	(126,524)	(96,926)
Balance, end of year	760,566	847,090

As at December 31, 2021, all of the loans bear interest at 5% [2020 – 5%]. In fiscal 2020, 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.

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

	\$
2021	70,273
2022	67,441
2023	70,813
2024	72,974
2025	73,527
Thereafter	405,538
	<u>760,566</u>

As at December 31, 2021, there were no commitments outstanding to provide loans [2020 – \$40,000].

5. Funds held for other organizations

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

	2021 \$	2020 \$
Balance, beginning of year	539,238	36,272
Funds advanced from organizations	—	537,000
Funds returned to organizations	—	(35,576)
Net investment income	82,710	1,542
Grants paid	(15,000)	—
Balance, end of year	606,948	539,238

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 organizations, which support Anglican communities and projects across Canada.

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6. General Fund

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

	2021	2020
	\$	\$
Undesignated	1,626,030	1,392,494
Designated for grants	215,000	—
Designated for loans	2,000,000	2,000,000
Contingency	2,000,000	2,000,000
	5,841,030	5,392,494

The Board periodically approves transfers between these items of the General Fund. In 2021, the Board approved the transfer of \$215,000 from the Undesignated fund to Designated for grants fund.

7. Endowment Fund

[a] The Endowment Fund consists of the following:

	2021	2020
	\$	\$
Externally endowed funds	11,419,492	10,322,026
Internally endowed funds	2,006,940	1,817,949
	13,426,432	12,139,975

[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% [2020 – 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. A portion of the income made available for spending 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.

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In fiscal 2021, investment income earned on endowment net assets was \$1,728,944. The amount made available for spending on externally endowed funds of \$475,974 was recognized as revenue in the Restricted Fund. The balance of \$1,252,970 was allocated for preservation of capital. Of this, \$1,063,979 related to capital preservation of externally endowed funds and was recorded as investment income in the Endowment Fund. Capital preservation of \$188,991 related to internally endowed funds was recorded as revenue in the Restricted Fund and transferred to the Endowment Fund *[note 8]*.

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 was recognized as revenue in the Restricted Fund. In 2020, 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 were transferred from the Endowment Fund to the Restricted Fund and General Fund, respectively *[note 8]*.

8. Interfund transfers

Interfund transfers consist of the following:

	2021		
	General Fund	Restricted Fund	Endowment Fund
	\$	\$	\$
Capital preservation of internally endowed funds <i>[note 7[b]]</i>	—	(188,991)	188,991
Transfer of funds not disbursed	—	(49,612)	49,612
Disbursement on closure of trust	—	16,125	(16,125)
	—	(222,478)	222,478
	<hr/>		
	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
	125,926	4,998	(130,924)

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9. Income beneficiary

As at December 31, 2021, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,374,719 [2020 – \$1,221,921]. During the year, \$29,709 [2020 – \$28,900] was recorded as revenue from the trust and is recorded in the General Fund. These investments are not recorded in the financial statements of the Foundation.

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:

	2021 \$	2020 \$
Promotion and development	147,577	131,216
Investment management and fund administration	47,611	53,607
Loan management	9,544	14,740
	204,732	199,563

11. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments. Most of these financial risks relate to investments. The Foundation invests in a mix of publicly traded fixed income securities, equity securities, and alternative investments with the objective of preserving capital and benefiting from the long-term returns expected of prudently managed equity investments, while also enjoying the income generation and relative price stability of high-quality fixed income investments. Alternative investments include, but are not limited to, real estate, infrastructure, renewable power, private equity and credit. The Funds' main objectives are to provide an amount of annual cash disbursements to fulfill the Foundation's mandate in the short term, while also ensuring protection and growth of capital in order to fulfill the Foundation's mission over the long term.

To manage the risks related to investments, the Foundation has determined an investment strategy and asset mix that reflects a total investment return consistent with capital preservation, risk tolerance and liquidity needs of the Foundation. An investment policy was established to monitor and limit risks across asset classes, as well as the total portfolio. If the measured risk of the portfolio exceeds the limits set by the policy, actions will be taken to reduce the portfolio's risk. This Investment policy is reviewed periodically by the Foundation's investment committee consisting of members of the Board and third-party professionals with expertise in the investment management profession

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 of financial instruments or future cash flows associated with these instruments will fluctuate relative to the Canadian dollar due to changes in foreign currency rates. The Foundation mitigates its foreign currency risk exposure by limiting the extent of foreign currency exposure to a minimum and maximum percentage target by asset class for fixed income securities, on United States and other foreign equities for both its underlying pooled fund investments and alternative investments.

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Credit risk

The Foundation is exposed to credit risk in connection with its loan receivables and underlying short-term and fixed income investments because of the risk of financial loss caused by a counterparty's potential inability to fulfill its contractual obligations. To manage this credit risk exposure, the loans receivable are guaranteed by the legal entity [Diocese] that oversees the parish or church to which the loan is advanced. Loans are not advanced in excess of \$100,000 to any organization and loan repayments are monitored regularly. Further, the Foundation only invests in high quality securities with reputable counterparties, and these are monitored regularly.

Interest rate risk

The Foundation is exposed to interest rate risk with respect to its funds that hold fixed income securities, because the fair value of financial instruments or future cash flows associated with these instruments will fluctuate due to changes in market interest rates. Fluctuations in market rates of interest do not have a significant impact on the Foundation's results of operations.

Other price risk

The Foundation is exposed to other price risk through changes in market prices [other than changes arising from foreign currency risk and interest rate risk] in connection with its investments in pooled funds. The Foundation manages this risk by monitoring against its benchmark asset mix, which reflects the Foundation's risk appetite.