

The Anglican Foundation of Canada

**Financial Statements
December 31, 2023**



The Anglican Foundation of Canada
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Year ended December 31, 2023

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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 statement of financial position as at December 31, 2023, and the statements of operations and changes in fund balances and 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, 2023, 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 Matter

The financial statements of the Foundation for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 17, 2023.

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:

INDEPENDENT AUDITOR'S REPORT - cont'd

- ◆ 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 entity'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 entity'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 entity 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.

Adams & Miles LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
May 22, 2024



The Anglican Foundation of Canada

Statement of Financial Position

As at December 31

<i>(Canadian \$)</i>	2023	2022
Assets		
Cash	117,690	304,674
Accounts receivable and other	30,475	116,986
Investments, at fair value <i>[note 3[a]]</i>	19,727,232	18,707,593
Loans receivable <i>[note 4]</i>	717,801	531,341
Total assets	20,593,198	19,660,594
Liabilities and fund balances		
Liabilities		
Accounts payable and accrued liabilities	90,053	75,739
Grants payable	401,500	294,850
Funds held for other organizations <i>[note 5]</i>	507,928	506,970
Total liabilities	999,481	877,559
Fund balances		
General Fund <i>[note 6]</i>	3,265,820	5,374,748
Community Ministries Fund <i>[note 7]</i>	2,001,828	—
Restricted Funds <i>[note 8]</i>	2,637,977	1,310,052
Endowment Funds <i>[note 9]</i>	11,688,092	12,098,235
Total fund balances	19,593,717	18,783,035
	20,593,198	19,660,594

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

<i>(Canadian \$)</i>	General Fund	Community Ministries Fund	Restricted Funds	Endowment Funds	Total 2023	Total 2022
Revenue						
Bequests and gifts <i>[note 10]</i>	36,484	1,828	155,217	—	193,529	700,144
Annual memberships	182,305	—	—	—	182,305	172,720
Investment income (loss) <i>[note 3[b]]</i>	719,907	—	656,517	856,310	2,232,734	(920,538)
Loan interest and other income	36,424	—	—	—	36,424	36,309
	975,120	1,828	811,734	856,310	2,644,992	(11,365)
Expenses						
Promotion and development <i>[note 11]</i>	236,047	—	1,991	—	238,038	205,147
Operating and administration <i>[note 11]</i>	245,132	—	3,251	—	248,383	205,896
Investment management and fund administration <i>[note 11]</i>	112,646	—	135,376	—	248,022	206,649
Loan management <i>[note 11]</i>	15,628	—	—	—	15,628	14,053
	609,453	—	140,618	—	750,071	631,745
Excess (deficiency) of revenue over expenses before grants and disbursements	365,667	1,828	671,116	856,310	1,894,921	(643,110)
Grants and disbursements	474,595	—	609,644	—	1,084,239	899,213
Excess (deficiency) of revenue over expenses and grants and disbursements for the year	(108,928)	1,828	61,472	856,310	810,682	(1,542,323)
Fund balances, beginning of year	5,374,748	—	1,310,052	12,098,235	18,783,035	20,325,358
Interfund transfers <i>[note 12]</i>	(2,000,000)	2,000,000	1,266,453	(1,266,453)	—	—
Fund balances, end of year	3,265,820	2,001,828	2,637,977	11,688,092	19,593,717	18,783,035

See accompanying notes



The Anglican Foundation of Canada

Statement of Cash Flows

Year ended December 31

<i>(Canadian \$)</i>	2023	2022
Operating activities		
Excess (deficiency) of revenue over expenses and grants and disbursements for the year	810,682	(1,542,323)
Add (deduct) items not involving cash		
Reinvested investment income	(667,769)	(887,780)
Unrealized loss (gain) on investments	(1,447,616)	2,011,154
	(1,304,703)	(418,949)
Changes in non-cash working capital balances related to operations		
Decrease in accounts receivable and other	86,511	109,148
Increase in accounts payable and accrued liabilities	14,314	21,038
Increase (decrease) in grants payable	106,650	(189,095)
Increase (decrease) in funds held for other organizations, net	958	(99,978)
Cash used in operating activities	(1,096,270)	(577,836)
Investing activities		
Withdrawal of investments, net	1,095,746	359,914
Advances on loans receivable	(300,000)	—
Payments received on loans receivable	113,540	229,225
Cash provided by investing activities	909,286	589,139
Net increase (decrease) in cash during the year	(186,984)	11,303
Cash, beginning of year	304,674	293,371
Cash, end of year	117,690	304,674

See accompanying notes



The Anglican Foundation of Canada

Notes to financial statements

December 31, 2023

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 donation receipts for income tax purposes.

2. Summary of significant accounting policies

These financial statements are prepared by management in accordance with Part III of the *CPA Canada Handbook – Accounting*, “Accounting Standards for Not-for-Profit Organizations” (“ASNPO”), 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.

Community Ministries Fund

The Community Ministries Fund was established to increase the Foundation’s capacity to provide financial support to parishes, dioceses, and other Anglican-affiliated charities that are engaged directly in community ministries.

Restricted Funds

The Restricted Funds report resources that are to be used for specific purposes, including projects to support specific regions, parishes and dioceses, as designated by the donor.

Endowment Funds

The Endowment Funds report 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 General Fund, Restricted Funds or Endowment Funds, depending on restrictions imposed by the donor.

Use of estimates

The preparation of financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates are periodically reviewed and any adjustments necessary are reported in the year in which they become known. Actual results could differ from these estimates.



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Notes to financial statements

December 31, 2023

2. Summary of significant accounting policies (continued)

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 Funds when initially recognized in the accounts. Externally restricted endowment contributions are recorded in the Endowment Funds when initially recognized in the accounts.

Annual memberships are recorded in the year in which they are received since these contributions represent gifts to the Foundation. Annual memberships 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 Funds or Restricted Funds resources that must be spent on donor-restricted activities is recognized as revenue of the Restricted Funds. Unrestricted investment income earned on Endowment Funds, Restricted Funds, 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, loans 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 are allocated to the Foundation's functions based on the estimate of time spent on each activity.

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.

Contributed materials and services

Contributed materials and services are not recognized in the financial statements.



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Notes to financial statements

December 31, 2023

3. Investments

The Foundation's investment policy has the goal of generating a total return that protects the capital while also achieving the granting objectives of the Foundation as set each year by its Board, recovers the cost of administering the funds, and establishes a reserve for future market declines. The Foundation's investments are held in pools that are managed by external investment managers. The Foundation's investment committee determines an amount of income available for spending based on 4% [2022 – 4%] of the moving average market value of the investment assets over a three-year period, which is reviewed periodically. 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 Funds to the Restricted Funds depending on the use of funds.

[a] Investments, which consist primarily of units in pooled funds, have the following asset mix:

<i>(Canadian \$)</i>	2023	2022
Cash and cash equivalents	189,207	84,889
Fixed income	5,244,891	4,541,008
Canadian equities	3,496,594	3,869,674
Global equities	7,884,147	7,346,680
Infrastructure and real estate	2,912,393	2,865,342
	19,727,232	18,707,593

The book value of investments is \$15,853,861 (2022 - \$16,240,421).

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

<i>(Canadian \$)</i>	2023	2022
Interest and dividends	653,990	848,668
Realized gains (losses) and changes in unrealized gains (losses) on investments	1,578,744	(1,769,206)
	2,232,734	(920,538)

4. Loans receivable

The continuity of loans receivable is as follows:

<i>(Canadian \$)</i>	2023	2022
Balance, beginning of year	531,341	760,566
Loans advanced during the year	300,000	—
	831,341	760,566
Repayments during the year, net of interest charges	(113,540)	(229,225)
Balance, end of year	717,801	531,341

As at December 31, 2023, all of the loans bear interest at 5% [2022 – 5%] per annum.



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Notes to financial statements

December 31, 2023

4. Loans receivable (continued)

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

(Canadian \$)

2024	50,354
2025	52,061
2026	53,441
2027	47,354
2028	46,485
Thereafter	468,107
	<u>717,801</u>

At December 31, 2023, there were commitments totaling \$100,000 outstanding to provide loans [2022 – \$100,000].

5. Funds held for other organizations

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

(Canadian \$)

	2023	2022
Balance, beginning of year	506,970	606,948
Net investment income (loss)	63,958	(46,978)
Grants paid	(63,000)	(53,000)
Balance, end of year	507,928	506,970

Funds held for other organizations consist of funds placed with the Foundation from time to time to be invested under the stewardship of the Foundation. 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. At the request of the organizations, these funds can be repaid within 30 days of notice.

6. General Fund

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

(Canadian \$)

	2023	2022
Undesignated	1,241,320	1,184,748
Designated for grants	24,500	190,000
Designated for loans	1,500,000	2,000,000
Contingency	500,000	2,000,000
	3,265,820	5,374,748

In 2023, the Board approved a transfer of \$2,000,000 from the General Fund to the new Community Ministries Fund established in 2023 [note 7]. It was determined that \$500,000 was sufficient in the Contingency Fund to provide financial resources to the Foundation for a period of two years as a contingency plan. In addition, \$1,500,000 was determined to be an adequate amount based on demand for funds designated for loans.



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December 31, 2023

7. Community Ministries Fund

The Community Ministries Fund consists of the following:

<i>(Canadian \$)</i>	2023	2022
Internally restricted funds	2,001,828	—

The Community Ministries Fund was established by the Board in 2023. The initial capital of \$2,000,000 transferred from the General Fund had been designated as internally restricted [note 2].

8. Restricted Funds

The Restricted Funds consist of the following:

<i>(Canadian \$)</i>	2023	2022
Restricted funds	701,900	740,673
Restricted capital funds	1,936,077	569,379
	2,637,977	1,310,052

Restricted funds represent a group of funds that have been externally restricted by donors that have gifted funds for stated purposes. In addition, the balance includes investment income made available for spending from the externally endowed funds that have not yet been distributed [note 9].

Restricted capital funds represent capital portions, designated gifts, and investment income that has not yet been distributed, where the initial capital amount is not endowed.

During 2023, the Board approved the transfer of an internally endowed fund to restricted capital in the amount of \$1,414,575 [note 9].

9. Endowment Funds

The Endowment Funds consist of the following:

<i>(Canadian \$)</i>	2023	2022
Externally endowed funds	11,688,092	9,536,724
Internally endowed funds	—	2,561,511
	11,688,092	12,098,235

Externally endowed funds represent funds with instructions to invest the capital in perpetuity and use the investment income earned for specific purposes, which is included in the Restricted Funds [note 8].

Internally endowed funds represented funds that had been internally designated by the Board that the investment income earned was to be used for specific purposes.



The Anglican Foundation of Canada

Notes to financial statements

December 31, 2023

9. Endowment Funds (continued)

During 2023, the Board approved the transfer of an internally endowed fund to restricted capital. A fund that was formerly internally endowed by the Board in 2006 was transferred to restricted capital to provide greater access to needed funds for the designated purpose. On the date of transfer, an amount of \$1,414,575 was transferred from the Endowment Funds to the Restricted Funds [note 12]. In addition, an internally endowed fund in the amount of \$587,436 was transferred to externally endowed.

In fiscal 2023, investment income earned on restricted capital and endowment funds balance was \$1,646,155, reduced by \$133,328 representing trust administration fees charged to the Restricted Funds by the Foundation and included in revenue of the General Fund. The amount, net of trust administration fees, made available for spending on restricted capital and externally endowed funds of \$656,517 is recognized as revenue in the Restricted Funds. The balance of \$856,310 relating to externally endowed funds is recognized as revenue in the Endowment Funds.

In fiscal 2022, the Endowment Funds incurred an investment loss of \$695,084. The loss incurred on externally endowed funds of \$588,231 was recorded in the Endowment Funds. The loss incurred on internally endowed funds of \$106,853 was recorded in the Restricted Funds. As a result of the loss, there was a shortfall in the year of investment income earned to cover the amount made available for spending and management and administrative fees. As a result, the amount made available for spending on endowed funds of \$512,206 was recognized as a transfer from the Endowment Funds to the Restricted Funds and General Fund of \$496,636 and \$15,570, respectively. In addition, during the year there was a shortfall of investment income earned to cover investment management and fund administrative fees in the amount of \$246,720. As a result, \$111,095 and \$135,625 were transferred from the Endowment Funds to the Restricted Funds and General Fund, respectively.

10. Income beneficiary

As at December 31, 2023, the Foundation is the income beneficiary of an externally administered trust with a market value of \$1,307,647 [2022 – \$1,227,991]. During the year, \$31,820 [2022 – \$29,685] was recorded as revenue from the trust and is recorded in the General Fund.

11. Allocation of costs

Personnel costs are allocated to the Foundation's functions reported in the statement of operations and changes in fund balances as follows:

<i>(Canadian \$)</i>	2023	2022
Promotion and development	155,389	119,156
Operating and administration	116,688	109,471
Investment management and fund administration	66,708	44,929
Loan management	15,628	14,053
	354,413	287,844



The Anglican Foundation of Canada

Notes to financial statements

December 31, 2023

12. Interfund transfers

Interfund transfers consist of the following:

<i>(Canadian \$)</i>	2023			
	General Fund	Community Ministries Fund	Restricted Funds	Endowment Funds
Transfer of excess funds from Contingency Fund to Community Ministries Fund [note 6]	(1,500,000)	1,500,000	—	—
Transfer of excess funds from Designated for Loans Fund to Community Ministries Fund [note 6]	(500,000)	500,000	—	—
Transfer from internally endowed funds to restricted capital funds [note 8]	—	—	1,414,575	(1,414,575)
Transfer of funds not disbursed			(148,122)	148,122
	(2,000,000)	2,000,000	1,266,453	(1,266,453)

<i>(Canadian \$)</i>	2022		
	General Fund	Restricted Funds	Endowment Funds
Shortfall of investment income earned to fund amount available for spending, management fees and administrative fees related to externally endowed funds	151,195	607,731	(758,926)
Transfer of funds not disbursed	—	(18,960)	18,960
	151,195	588,771	(739,966)

13. 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.



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Notes to financial statements

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13. Financial instruments (continued)

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 cash, fixed income securities, on United States and other foreign equities for both its underlying pooled fund investments and alternative investments.

Credit risk

The Foundation is exposed to credit risk in connection with its loans receivable and underlying 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; they 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.

