

Financial Statements of
ABUNDANCE CANADA
December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of Abundance Canada

We have audited the accompanying financial statements of Abundance Canada, which comprise the statement of financial position as at December 31, 2016 and the statements of operations and unrestricted net assets, changes in net assets, and cash flows for the year then ended, and the notes to the financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Abundance Canada as at December 31, 2016 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.



Chartered Professional Accountants

May 5, 2017
Winnipeg, Manitoba

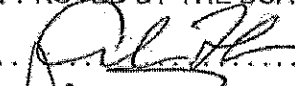
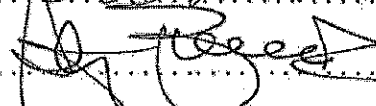
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ABUNDANCE CANADA
Statement of Financial Position
December 31, 2016

	2016	2015
ASSETS		
CASH	\$ 6,504,362	\$ 8,432,443
INVESTMENT INCOME RECEIVABLE	718,825	718,979
INVESTMENTS		
Loans receivable	41,226,639	39,222,232
Money market funds	5,501,693	7,594,974
Shares and equity mutual fund units	22,003,649	14,138,772
Bonds and fixed income mutual fund units	115,158,379	107,441,608
OTHER ASSETS (Note 3)	161,900	83,674
CASH SURRENDER VALUE OF LIFE INSURANCE (Note 4)	1,602,002	1,407,940
CAPITAL ASSETS (Note 5)	890,239	1,084,284
	\$ 193,767,688	\$ 180,124,906
LIABILITIES		
ACCOUNTS PAYABLE (Note 6)	\$ 145,325	\$ 196,974
FUND EARNINGS PAYABLE	1,616,236	1,203,481
	1,761,561	1,400,455
COMMITMENTS (Note 11)		
CAPITAL HELD FOR INVESTMENTS		
MANAGED TRUST FUNDS	93,686,576	91,921,695
NET ASSETS		
Endowment funds (Note 7)	36,697,301	33,682,894
Other trust funds (Note 8)	55,084,379	44,432,928
Invested in capital assets (Note 5)	890,239	1,084,284
Internally restricted funds (Note 9)	7,796,699	8,093,712
Unrestricted	(2,149,067)	(491,062)
	98,319,551	86,802,756
	192,006,127	178,724,451
	\$ 193,767,688	\$ 180,124,906

APPROVED BY THE BOARD

..... Director

..... Director


ABUNDANCE CANADA
Statement of Operations and Unrestricted Net Assets
Year ended December 31, 2016

	2016	2015
INCOME		
Investment and dividend income	\$ 4,391,139	\$ 4,246,175
Interest earned on loans	1,455,087	1,478,372
Gains allocated to trust fund agreements	2,934,173	279,591
(Losses) gains allocated to Abundance Canada operations	(2,058,750)	51,052
	6,721,649	6,055,190
Other income	404,090	337,937
	7,125,739	6,393,127
EXPENSES		
Earnings paid and payable on trust and endowment fund accounts	5,767,321	3,487,679
Administration and other expenses (Schedule)	3,507,481	3,407,777
	9,274,802	6,895,456
OPERATING DEFICIT FOR THE YEAR	(2,149,063)	(502,329)
Add: Amortization expense borne by net assets invested in capital assets	236,252	236,480
Less: Amounts transferred to other funds	(236,252)	(236,480)
NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR	(2,149,063)	(502,329)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	(491,062)	3,326,144
TRANSFERS FROM INTERNALLY RESTRICTED FUNDS	491,058	(3,314,877)
UNRESTRICTED NET ASSETS, END OF YEAR	\$ (2,149,067)	\$ (491,062)

ABUNDANCE CANADA
Statement of Changes in Net Assets
Year ended December 31, 2016

	2016					2015
	Internally Restricted Funds	Endowment Funds	Invested in Capital Assets	Other Trust Funds	Unrestricted	Total
BALANCE, BEGINNING OF YEAR	\$ 8,093,712	\$ 33,682,894	\$ 1,084,284	\$ 44,432,928	\$ (491,062)	\$ 86,802,756
OTHER FUND TRANSACTIONS FOR THE YEAR						
Investment income including capitalized earnings	-	844,652	-	2,776,950	-	3,621,602
New gifts from donors	-	1,352,718	-	17,507,940	-	18,860,658
New gifts transferred from managed and other trust funds	-	1,144,633	-	5,364,037	-	6,508,670
Disbursements to charities	-	(327,596)	-	(15,191,538)	-	(15,519,134)
Increase in cash surrender value	-	-	-	194,062	-	194,062
Other transfers/payments	(491,058)	-	-	-	491,058	-
NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR	-	-	-	-	(2,149,063)	(2,149,063)
TRANSFERS BETWEEN FUNDS						
Acquisitions of capital assets	(42,207)	-	42,207	-	-	-
Amortization expense for the year	-	-	(236,252)	-	236,252	-
Appropriations to/from Unrestricted Fund	236,252	-	-	-	(236,252)	-
BALANCE, END OF YEAR	\$ 7,796,699	\$ 36,697,301	\$ 890,239	\$ 55,084,379	\$ (2,149,067)	\$ 98,319,551
						\$ 86,802,756

ABUNDANCE CANADA
Statement of Cash Flows
Year Ended December 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Net decrease in unrestricted net assets for the year	\$ (2,149,063)	\$ (502,329)
Item not affecting cash:		
Amortization	236,252	236,480
	\$ (1,912,811)	(265,849)
Changes in non-cash operating working capital items:		
Investment income receivable	154	48,068
Accounts payable	(51,649)	26,752
Fund earnings payable	412,755	(233,639)
Other assets	(78,226)	4,571
	(1,629,777)	(420,097)
INVESTMENT ACTIVITIES		
Increase in managed trust funds	1,764,881	3,971,052
New deposits to endowment fund and other trust funds	25,369,328	20,177,096
Capitalized earnings on funds	3,621,602	1,784,168
Disbursements paid to charities	(15,519,134)	(16,878,737)
	15,236,677	9,053,579
INVESTING ACTIVITIES		
Acquisition of capital assets	(42,207)	(476,316)
(Increase) decrease in loans receivable	(2,004,407)	787,007
Increase in money market funds, shares and equity mutual fund units	(5,771,596)	(8,683,906)
(Increase) decrease in bonds and fixed income mutual fund units	(7,716,771)	2,256,643
	(15,534,981)	(6,116,572)
NET (DECREASE) INCREASE IN CASH POSITION	(1,928,081)	2,516,910
CASH, BEGINNING OF YEAR	8,432,443	5,915,533
CASH, END OF YEAR	\$ 6,504,362	\$ 8,432,443

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2016

1. NATURE OF THE ORGANIZATION

Abundance Canada (the "Organization") was established by the Founding Church Conferences in 1973 as a non-profit service agency to accumulate, manage and distribute financial resources exclusively for charitable purposes. The Organization is a registered charity and is classified as a public foundation for purposes of the Income Tax Act (Canada). The Organization had previously been operating as the Mennonite Foundation of Canada prior to changing its name in the current year.

The Organization manages investments and administers various types of funds as follows:

- **Managed Trust Funds** – Depositors may withdraw the principal amount at any time, with due notice. Investment earnings on these funds are paid to charities or depositors, at the discretion of the settlor of the fund.
- **Other Trust Funds** – Depositors gift the principal amount to the Organization. The earnings and principal are available for distribution to charities as advised by the donor.
- **Endowment Funds** – These funds are established from gifts by donors which are designated to remain under the Organization's management for at least ten years. Thereafter, the principal may be distributed to charity. Earnings on these funds are paid to charity or capitalized in accordance with the donors' wishes.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

a) Internally restricted funds

The Organization maintains several internally restricted funds for use in operations or various programs based on the priorities identified by the Board of Directors of the Organization.

b) Income and expense recognition

The Organization uses the deferral method of accounting for contributions. Under this method endowment and other trust fund contributions are added directly to the Organization's net assets. Expenses are recorded on the accrual basis of accounting. Investment earnings are recorded in the statement of operations and unrestricted net assets as revenue of the unrestricted net assets. Fund earnings obligations, as set out in trust and endowment agreements between the Organization and the settlor or benefactor, are recognized in accordance with the terms of the agreements.

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2016

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Capital assets

The Organization records its capital assets, consisting of furniture and fixtures, leasehold improvements, computers and office equipment, and computer software, at their historical cost. Amortization on all capital assets except leasehold improvements are provided for at rates ranging between 10% and 33%, calculated on a straight-line basis. Leasehold improvements are amortized on a straight-line basis over the life of the lease.

d) Financial instruments

The Organization initially measures its financial assets and financial liabilities at fair value. The Organization subsequently measures all its financial assets and financial liabilities at amortized cost, except for fixed income investments, money market funds, and mutual funds and shares traded in an active market, which are measured at fair value. Changes in fair value are recognized in the statement of operations and unrestricted net assets.

Financial assets measured at amortized cost include cash, investment income receivable, loans receivable, and other assets.

Financial liabilities measured at amortized cost include accounts payable, fund earnings payable and managed trust funds.

e) Bequests and other donations

Bequests and other donations are recorded when received.

f) Grant commitments

Grant commitments are recorded in the year grants are disbursed.

g) Cash surrender value of life insurance

The Organization is owner and beneficiary of donated life insurance policies where annual premiums are paid by benefactors of the Organization. These entitlements are recorded as assets at an amount equal to the cash surrender value of such life insurance policies.

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2016

3. OTHER ASSETS

	<u>2016</u>	<u>2015</u>
Prepaid expenses	\$ 54,006	\$ 24,533
GST/HST receivable	99,154	49,685
Other receivables	8,740	9,456
	<u>\$ 161,900</u>	<u>\$ 83,674</u>

4. CASH SURRENDER VALUE OF LIFE INSURANCE

The Organization is the owner and capital beneficiary of donated life insurance policies with face values of \$14,280,967 (2015 - \$14,051,967). The cash surrender value of these policies at December 31, 2016 is \$1,602,002 (2015 - \$1,407,940).

5. CAPITAL ASSETS

	<u>2016</u>			<u>2015</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 175,550	\$ 102,200	\$ 73,350	\$ 86,502
Leasehold improvements	262,127	192,382	69,745	107,730
Computers and office equipment	226,404	182,755	43,649	63,524
Computer software	1,301,059	597,564	703,495	826,528
	<u>\$ 1,965,140</u>	<u>\$ 1,074,901</u>	<u>\$ 890,239</u>	<u>\$ 1,084,284</u>

6. ACCOUNTS PAYABLE

Included in accounts payable at December 31, 2016 are government remittances payable of \$nil (2015 - \$13,558) for source deduction remittances owing.

7. ENDOWMENT FUNDS

The endowment funds of the Organization are comprised of the following:

	<u>2016</u>	<u>2015</u>
Capital endowment funds	\$ 34,009,540	\$ 31,228,043
Friends and founders endowment fund	2,687,761	1,225,302
Generosity endowment fund	-	1,229,549
	<u>\$ 36,697,301</u>	<u>\$ 33,682,894</u>

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2016

8. OTHER TRUST FUNDS

The other trust funds are comprised of the following:

	<u>2016</u>	<u>2015</u>
Irrevocable trust funds	\$ 181,671	\$ 181,626
Life interest funds	6,670,238	210,146
Gift annuity funds	7,207	8,258
Gifting and bequest funds	46,623,261	42,624,958
Cash surrender value of life insurance policies	1,602,002	1,407,940
	<u>\$ 55,084,379</u>	<u>\$ 44,432,928</u>

9. INTERNALLY RESTRICTED FUNDS

Internally restricted funds are restricted for use in operations or various programs based on the priorities identified by the Board of Directors of the Organization.

10. FINANCIAL INSTRUMENTS

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes in the Organization's cash flows, financial position, and income. This risk arises from differences in the timing and amount of cash flows related to the Organization's assets.

The value of the Organization's assets are affected by nominal changes in interest rates and equity markets.

The term to maturity and related book values of cash and investments in money market funds, loans receivable and bonds, excluding shares and equity mutual funds, held by the Organization at December 31, 2016 are as follows:

Rate on Face Value	Term			Total
	0-5 years	6-10 years	+ 10 years	
0.00-5.99%	\$ 189,539,312	\$ -	\$ 855,410	\$ 190,394,722

The Organization holds units in a bond mutual fund as well as a mortgage fund which have an aggregate fair values as at December 31, 2016 of \$149,168,083 (2015 – \$136,426,922). Based on the current expected yield of the funds, these are included in the 0-5 year term, 0.00-5.99% rate balance above.

Earnings paid on managed trust, endowment funds and other trust funds are set at the Organization's pooled rate, less a fixed percentage for administration fees.

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2016

10. FINANCIAL INSTRUMENTS (continued)

b) Credit risk

Credit risk arises when a counterparty does not fully honour its financial or contractual obligations. The Organization has established credit and investment policies to mitigate this risk.

Credit risk is increased where a significant portion of the portfolio is invested in securities which have similar characteristics or which are expected to follow similar variations relating to economic or political conditions. The risk of excess concentration is mitigated by an investment policy established by the Board of Directors, which sets out various investment thresholds.

11. COMMITMENTS

The Organization has commitments for leased premises to August 31, 2027 comprised of base rents plus a proportionate share of operating costs. The base rent commitments to lease expiry are \$689,375 with payment obligations over the next five years as follows:

2017	\$133,802
2018	130,991
2019	85,296
2020	78,386
2021	57,152

12. CAPITAL MANAGEMENT

The Organization manages its capital held for investments according to the terms and restrictions of the donors and depositors who have placed funds with the Organization. The Organization's own capital, comprised of net assets invested in capital assets, internally restricted funds and unrestricted net assets, has accumulated from the excess of revenues over expenditures over the life of the Organization. The Organization's Board annually approves the Organization's operating plan which provides for a financial result that is modestly better than break-even, ignoring the impact of unrealized gains on investments accruing to the Organization's benefit. Capital management objectives, policies and procedures are unchanged since the preceding year.

ABUNDANCE CANADA

Schedule of Administration and Other Expenses Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
Salaries and benefits	\$ 1,678,553	\$ 1,743,904
Interest, bank charges, and investment management fees	409,684	413,716
Advertising and promotion	360,241	228,182
Amortization	236,252	236,480
Travel	230,479	272,489
Rent and common area costs	162,844	149,542
Wills - legal fee subsidy	79,726	54,306
Staff development, memberships and subscriptions	76,292	53,366
Computer	74,782	58,252
Professional fees	70,013	53,980
Office	66,587	76,255
Telephone	50,795	55,753
Insurance	11,233	11,552
	<u>\$ 3,507,481</u>	<u>\$ 3,407,777</u>