

Financial Statements of
ABUNDANCE CANADA

December 31, 2017

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Abundance Canada

We have audited the accompanying financial statements of Abundance Canada, which comprise the statement of financial position as at December 31, 2017 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, 2017 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, 2018
Winnipeg, Manitoba

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ABUNDANCE CANADA
Statement of Financial Position
December 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CASH	\$ 13,834,482	\$ 6,504,362
INVESTMENT INCOME RECEIVABLE	666,623	718,825
INVESTMENTS		
Loans receivable	35,924,837	41,226,639
Money market funds	5,509,951	5,501,693
Shares and equity mutual fund units	25,888,575	22,003,649
Bonds and fixed income mutual fund units	135,795,608	115,158,379
OTHER ASSETS (Note 3)	99,583	161,900
CASH SURRENDER VALUE OF LIFE INSURANCE (Note 4)	1,643,952	1,602,002
CAPITAL ASSETS (Note 5)	833,190	890,239
	<u>\$ 220,196,801</u>	<u>\$ 193,767,688</u>
LIABILITIES		
ACCOUNTS PAYABLE (Note 6)	\$ 152,259	\$ 145,325
FUND EARNINGS PAYABLE	1,519,625	1,616,236
	<u>1,671,884</u>	<u>1,761,561</u>
COMMITMENTS (Note 11)		
CAPITAL HELD FOR INVESTMENT		
MANAGED TRUST FUNDS	101,985,650	93,686,576
NET ASSETS		
Endowment funds (Note 7)	37,255,162	36,697,301
Other trust funds (Note 8)	73,734,707	55,084,379
Invested in capital assets (Note 5)	833,190	890,239
Internally restricted funds (Note 9)	5,704,681	7,796,699
Unrestricted	(988,473)	(2,149,067)
	<u>116,539,267</u>	<u>98,319,551</u>
	<u>218,524,917</u>	<u>192,006,127</u>
	<u>\$ 220,196,801</u>	<u>\$ 193,767,688</u>

APPROVED BY THE BOARD

 Director

 Director

ABUNDANCE CANADA
Statement of Operations and Unrestricted Net Assets
Year ended December 31, 2017

	2017	2016
INCOME		
Investment and dividend income	\$ 4,768,109	\$ 4,391,139
Interest earned on loans	1,375,453	1,455,087
Gains allocated to trust fund agreements	709,645	2,934,173
Losses allocated to Abundance Canada operations	(1,471,167)	(2,058,750)
	5,382,040	6,721,649
Other income	554,784	404,090
	5,936,824	7,125,739
EXPENSES		
Earnings paid and payable on trust and endowment fund accounts	3,551,246	5,767,321
Administration and other expenses (Schedule)	3,374,051	3,507,481
	6,925,297	9,274,802
OPERATING DEFICIT FOR THE YEAR	(988,473)	(2,149,063)
Add: Amortization expense borne by net assets invested in capital assets	231,360	236,252
Less: Amounts transferred to other funds	(231,360)	(236,252)
NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR	(988,473)	(2,149,063)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	(2,149,067)	(491,062)
TRANSFERS FROM INTERNALLY RESTRICTED FUNDS	2,149,067	491,058
UNRESTRICTED NET ASSETS, END OF YEAR	\$ (988,473)	\$ (2,149,067)

ABUNDANCE CANADA
Statement of Changes in Net Assets
Year ended December 31, 2017

	2017				2016	
	Internally Restricted Funds	Endowment Funds	Invested in Capital Assets	Other Trust Funds	Unrestricted	Total
BALANCE, BEGINNING OF YEAR	\$ 7,796,699	\$ 36,697,301	\$ 890,239	\$ 55,084,379	\$ (2,149,067)	\$ 98,319,551
OTHER FUND TRANSACTIONS FOR THE YEAR						
Investment income including capitalized earnings	-	(178,303)	-	1,364,980	-	1,186,677
New gifts from donors	-	930,326	-	36,323,903	-	37,254,229
Gifts transferred from managed and other trust funds	-	(36,858)	-	185,558	-	148,700
Disbursements to charities	-	(157,304)	-	(19,266,063)	-	(19,423,367)
Increase in cash surrender value	-	-	-	41,950	-	41,950
Other transfers/payments	(2,149,067)	-	-	-	2,149,067	-
NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR	-	-	-	-	(988,473)	(988,473)
TRANSFERS BETWEEN FUNDS						
Acquisitions of capital assets	(174,311)	-	174,311	-	-	-
Amortization expense for the year	-	-	(231,360)	-	231,360	-
Appropriations to/from Unrestricted Fund	231,360	-	-	-	(231,360)	-
BALANCE, END OF YEAR	\$ 5,704,681	\$ 37,255,162	\$ 833,190	\$ 73,734,707	\$ (988,473)	\$ 116,539,267
						\$ 98,319,551

ABUNDANCE CANADA
Statement of Cash Flows
Year Ended December 31, 2017

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Net decrease in unrestricted net assets for the year	\$ (988,473)	\$ (2,149,063)
Item not affecting cash:		
Amortization	231,360	236,252
	<u>(757,113)</u>	<u>(1,912,811)</u>
Changes in non-cash operating working capital items:		
Investment income receivable	52,202	154
Accounts payable	6,934	(51,649)
Fund earnings payable	(96,611)	412,755
Other assets	62,317	(78,226)
	<u>(732,271)</u>	<u>(1,629,777)</u>
INVESTMENT ACTIVITIES		
Increase in managed trust funds	8,299,074	1,764,881
New deposits to endowment fund and other trust funds	37,402,929	25,369,328
Capitalized earnings on funds	1,186,677	3,621,602
Disbursements paid to charities	(19,423,367)	(15,519,134)
	<u>27,465,313</u>	<u>15,236,677</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(174,311)	(42,207)
Decrease (increase) in loans receivable	5,301,802	(2,004,407)
Increase in money market funds, shares and equity mutual fund units	(3,893,184)	(5,771,596)
Increase in bonds and fixed income mutual fund units	(20,637,229)	(7,716,771)
	<u>(19,402,922)</u>	<u>(15,534,981)</u>
NET INCREASE (DECREASE) IN CASH POSITION	7,330,120	(1,928,081)
CASH, BEGINNING OF YEAR	6,504,362	8,432,443
CASH, END OF YEAR	\$ 13,834,482	\$ 6,504,362

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2017

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.

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 depositor of the funds.
- **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, 2017

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 term 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 bonds and fixed income investments, money market funds, and shares and equity mutual funds 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.

h) Use of Estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affects the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2017

3. OTHER ASSETS

	<u>2017</u>	<u>2016</u>
Prepaid expenses	\$ 44,511	\$ 54,006
GST/HST receivable	50,478	99,154
Other receivables	4,594	8,740
	<u>\$ 99,583</u>	<u>\$ 161,900</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 \$14,230,967 (2016 - \$14,280,967). The cash surrender value of these policies at December 31, 2017 is \$1,643,952 (2016 - \$1,602,002).

5. CAPITAL ASSETS

	<u>2017</u>			<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 196,927	\$ 116,671	\$ 80,256	\$ 73,350
Leasehold improvements	348,667	230,682	117,985	69,745
Computers and office equipment	217,786	177,767	40,019	43,649
Computer software	1,324,993	730,063	594,930	703,495
	<u>\$ 2,088,373</u>	<u>\$ 1,255,183</u>	<u>\$ 833,190</u>	<u>\$ 890,239</u>

6. ACCOUNTS PAYABLE

Included in accounts payable at December 31, 2017 are government remittances payable of \$nil (2016 - \$nil).

7. ENDOWMENT FUNDS

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

	<u>2017</u>	<u>2016</u>
Capital endowment funds	\$ 34,411,033	\$ 34,009,540
Abundance endowment fund	2,844,129	2,687,761
	<u>\$ 37,255,162</u>	<u>\$ 36,697,301</u>

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2017

8. OTHER TRUST FUNDS

The other trust funds are comprised of the following:

	<u>2017</u>	<u>2016</u>
Irrevocable trust funds	\$ 181,685	\$ 181,671
Life interest funds	6,793,464	6,670,238
Gift annuity funds	6,101	7,207
Gifting and bequest funds	65,109,505	46,623,261
Cash surrender value of life insurance policies	1,643,952	1,602,002
	<u>\$ 73,734,707</u>	<u>\$ 55,084,379</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, 2017 are as follows:

Rate on Face Value	Term			Total
	0-5 years	6-10 years	+ 10 years	
0.00-5.99%	\$ 190,267,758	\$ 797,120	\$ -	\$ 191,064,879

The Organization holds units in a bond mutual fund, a mortgage fund, equity mutual funds as well as shares and bonds which have an aggregate fair values as at December 31, 2017 of \$181,128,617 (2016 – \$149,168,083). 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, 2017

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 \$555,077 with payment obligations over the next five years as follows:

2018	\$128,416
2019	86,681
2020	79,079
2021	57,152
2022	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, 2017

	<u>2017</u>	<u>2016</u>
Salaries and benefits	\$ 1,638,179	\$ 1,678,553
Interest, bank charges, and investment management fees	467,436	409,684
Advertising and promotion	233,183	360,241
Amortization	231,360	236,252
Travel	199,879	230,479
Rent and common area costs	176,992	162,844
Wills - legal fee subsidy	8,467	79,726
Staff development, memberships and subscriptions	119,631	76,292
Computer	103,860	74,782
Professional fees	62,992	70,013
Office	70,534	66,587
Telephone	49,829	50,795
Insurance	11,709	11,233
	<u>\$ 3,374,051</u>	<u>\$ 3,507,481</u>