

*Financial Statements of*  
**ABUNDANCE CANADA**  
*December 31, 2018*

## Independent Auditor's Report

To the Board of Directors of  
Abundance Canada

### Opinion

We have audited the financial statements of Abundance Canada (the "Organization"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and unrestricted net assets, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018, 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 ("ASNPO").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). 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 Company 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.

### 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 ASNPO, 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 GAAS 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 GAAS, 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 Organization'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 Organization'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 Organization 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.

A handwritten signature in black ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants

Winnipeg, Manitoba

May 4, 2019

## TABLE OF CONTENTS

	<u>Page</u>
Statement of Financial Position	1
Statement of Operations and Unrestricted Net Assets	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 – 9
Schedule of Administration and Other Expenses	10



## TABLE OF CONTENTS

	<u>Page</u>
Statement of Financial Position	1
Statement of Operations and Unrestricted Net Assets	2
Statement of Changes in Net Assets	3
Statement of Cash Flows	4
Notes to the Financial Statements	5 – 9
Schedule of Administration and Other Expenses	10

**ABUNDANCE CANADA**  
**Statement of Financial Position**  
**December 31, 2018**

	2018	2017
<b>ASSETS</b>		
CASH	\$ 2,377,788	\$ 13,834,482
INVESTMENT INCOME RECEIVABLE	702,965	666,623
INVESTMENTS		
Loans receivable	31,393,754	35,924,837
Money market funds	1,018,136	5,509,951
Shares and equity mutual fund units	23,779,257	25,888,575
Bonds and fixed income mutual fund units	147,047,484	135,795,608
OTHER ASSETS (Note 3)	125,590	99,583
CASH SURRENDER VALUE OF LIFE INSURANCE (Note 4)	1,721,010	1,643,952
CAPITAL ASSETS (Note 5)	835,986	833,190
	<b>\$ 209,001,970</b>	<b>\$ 220,196,801</b>
<b>LIABILITIES</b>		
ACCOUNTS PAYABLE (Note 6)	\$ 204,752	\$ 152,259
FUND EARNINGS PAYABLE	758,491	1,519,625
	<b>963,243</b>	<b>1,671,884</b>
COMMITMENTS (Note 11)		
<b>CAPITAL HELD FOR INVESTMENT</b>		
MANAGED TRUST FUNDS	91,630,692	101,985,650
<b>NET ASSETS</b>		
Endowment funds (Note 7)	34,392,263	37,255,162
Other trust funds (Note 8)	81,014,717	73,734,707
Invested in capital assets (Note 5)	835,986	833,190
Internally restricted funds (Note 9)	983,318	5,704,681
Unrestricted	(818,249)	(988,473)
	<b>116,408,035</b>	<b>116,539,267</b>
	<b>208,038,727</b>	<b>218,524,917</b>
	<b>\$ 209,001,970</b>	<b>\$ 220,196,801</b>

APPROVED BY THE BOARD

 Director  
 Director

**ABUNDANCE CANADA****Statement of Operations and Unrestricted Net Assets**

Year ended December 31, 2018

	<u>2018</u>	<u>2017</u>
<b>INCOME</b>		
Investment and dividend income	\$ 4,854,938	\$ 4,768,109
Interest earned on loans	1,181,204	1,375,453
(Losses) gains allocated to trust fund agreements	(7,365,790)	709,645
Losses allocated to Abundance Canada operations	(1,008,861)	(1,471,167)
	<u>(2,338,509)</u>	5,382,040
Other income	466,607	554,784
	<u>(1,871,902)</u>	5,936,824
<b>EXPENSES</b>		
(Losses recovered from) earnings paid and payable on trust and endowment fund accounts	(4,793,247)	3,551,246
Administration and other expenses (Schedule)	3,739,594	3,374,051
	<u>(1,053,653)</u>	6,925,297
<b>OPERATING DEFICIT FOR THE YEAR</b>	<u>(818,249)</u>	(988,473)
Add: Amortization expense borne by net assets invested in capital assets	240,858	231,360
Less: Amounts transferred to other funds	(240,858)	(231,360)
<b>NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR</b>	<u>(818,249)</u>	(988,473)
<b>UNRESTRICTED NET ASSETS, BEGINNING OF YEAR</b>	<u>(988,473)</u>	(2,149,067)
<b>TRANSFERS FROM INTERNALLY RESTRICTED FUNDS</b>	988,473	2,149,067
<b>UNRESTRICTED NET ASSETS, END OF YEAR</b>	<u>\$ (818,249)</u>	<u>\$ (988,473)</u>

**ABUNDANCE CANADA**  
**Statement of Changes in Net Assets**  
Year ended December 31, 2018

	2018					2017	
	Internally Restricted Funds	Endowment Funds	Invested in Capital Assets	Other Trust Funds	Unrestricted	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 5,704,681	\$ 37,255,162	\$ 833,190	\$ 73,734,707	\$ (988,473)	\$ 116,539,267	\$ 98,319,551
<b>OTHER FUND TRANSACTIONS FOR THE YEAR</b>							
Investment (loss) income including capitalized earnings		(3,133,951)	-	1,073,867	-	(5,790,178)	1,186,677
New gifts from donors	(3,730,094)	531,018	-	29,848,605	-	30,379,623	37,254,229
Gifts transferred from managed and other trust funds	-	(68,488)	-	232,219	-	163,731	148,700
Disbursements to charities	-	(191,478)	-	(23,951,739)	-	(24,143,217)	(19,423,367)
Increase in cash surrender value	-	-	-	77,058	-	77,058	41,950
Other transfers/payments	(988,473)	-	-	-	988,473	-	-
<b>NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR</b>	-	-	-	-	(818,249)	(818,249)	(988,473)
<b>TRANSFERS BETWEEN FUNDS</b>							
Acquisitions of capital assets	(243,654)	-	243,654	-	-	-	-
Amortization expense for the year	-	-	(240,858)	-	240,858	-	-
Appropriations to/from Unrestricted Fund	240,858	-	-	-	(240,858)	-	-
<b>BALANCE, END OF YEAR</b>	\$ 983,318	\$ 34,392,263	\$ 835,986	\$ 81,014,717	\$ (818,249)	\$ 116,408,035	\$ 116,539,267



**ABUNDANCE CANADA**  
**Statement of Cash Flows**  
Year Ended December 31, 2018

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Net decrease in unrestricted net assets for the year	\$ (818,249)	\$ (988,473)
Item not affecting cash:		
Amortization	240,858	231,360
	<b>(577,391)</b>	<b>(757,113)</b>
Changes in non-cash operating working capital items:		
Investment income receivable	(36,342)	52,202
Accounts payable	52,493	6,934
Fund earnings payable	(761,134)	(96,611)
Other assets	(26,007)	62,317
	<b>(1,348,381)</b>	<b>(732,271)</b>
<b>INVESTMENT ACTIVITIES</b>		
(Decrease) increase in managed trust funds	(10,354,958)	8,299,074
New deposits to endowment fund and other trust funds	30,543,354	37,402,929
Capitalized (losses) earnings on funds	(5,790,178)	1,186,677
Disbursements paid to charities	(24,143,217)	(19,423,367)
	<b>(9,744,999)</b>	<b>27,465,313</b>
<b>INVESTING ACTIVITIES</b>		
Acquisition of capital assets	(243,654)	(174,311)
Decrease in loans receivable	4,531,083	5,301,802
(Decrease) increase in money market funds, shares and equity mutual fund units	6,601,133	(3,893,184)
Increase in bonds and fixed income mutual fund units	(11,251,876)	(20,637,229)
	<b>(363,314)</b>	<b>(19,402,922)</b>
<b>NET INCREASE (DECREASE) IN CASH POSITION</b>	<b>(11,456,694)</b>	<b>7,330,120</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>13,834,482</b>	<b>6,504,362</b>
<b>CASH, END OF YEAR</b>	<b>\$ 2,377,788</b>	<b>\$ 13,834,482</b>

**ABUNDANCE CANADA**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**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, 2018**

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**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, 2018**

**3. OTHER ASSETS**

	<u>2018</u>	<u>2017</u>
Prepaid expenses	\$ 65,879	\$ 44,511
GST/HST receivable	59,711	50,478
Other receivables	-	4,594
	<u>\$ 125,590</u>	<u>\$ 99,583</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 \$15,470,967 (2017 - \$14,230,967). The cash surrender value of these policies at December 31, 2018 is \$1,721,010 (2017 - \$1,643,952).

**5. CAPITAL ASSETS**

	<u>2018</u>			<u>2017</u>
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	\$ 193,976	\$ 121,506	\$ 72,470	\$ 80,256
Leasehold improvements	352,811	269,671	83,140	117,985
Computers and office equipment	219,822	188,782	31,040	40,019
Computer software	1,532,665	883,329	649,336	594,930
	<u>\$ 2,299,274</u>	<u>\$ 1,463,288</u>	<u>\$ 835,986</u>	<u>\$ 833,190</u>

**6. ACCOUNTS PAYABLE**

Included in accounts payable at December 31, 2018 are government remittances payable of \$17,670 (2017 - \$nil).

**7. ENDOWMENT FUNDS**

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

	<u>2018</u>	<u>2017</u>
Capital endowment funds	\$ 33,681,093	\$ 34,411,033
Abundance endowment fund	711,170	2,844,129
	<u>\$ 34,392,263</u>	<u>\$ 37,255,162</u>

**ABUNDANCE CANADA**  
**Notes to the Financial Statements**  
**December 31, 2018**

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**8. OTHER TRUST FUNDS**

The other trust funds are comprised of the following:

	<u>2018</u>	<u>2017</u>
Irrevocable trust funds	\$ 52,122	\$ 181,685
Life interest funds	6,904,362	6,793,464
Gift annuity funds	4,967	6,101
Gifting and bequest funds	72,332,256	65,109,505
Cash surrender value of life insurance policies	1,721,010	1,643,952
	<b>\$ 81,014,717</b>	<b>\$ 73,734,707</b>

**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, 2018 are as follows:

Rate on Face Value	Term			Total
	0-5 years	6-10 years	+ 10 years	
0.00-5.99%	\$ 181,101,699	\$ 735,463	\$ -	\$ 181,837,162

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, 2018 of \$174,222,665 (2017 – \$181,128,616). 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, 2018**

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**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 \$548,634 with payment obligations over the next five years as follows:

2019	\$129,731
2020	122,129
2021	93,027
2022	57,152
2023	57,657
Thereafter	88,938

**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, 2018**

	<u>2018</u>	<u>2017</u>
Salaries and benefits	<b>\$ 1,836,015</b>	<b>\$ 1,638,179</b>
Interest, bank charges, and investment management fees	<b>506,164</b>	<b>467,436</b>
Advertising and promotion	<b>371,181</b>	<b>233,183</b>
Amortization	<b>240,858</b>	<b>231,360</b>
Travel	<b>215,974</b>	<b>199,879</b>
Rent and common area costs	<b>201,627</b>	<b>176,992</b>
Wills - legal fee subsidy	<b>-</b>	<b>8,467</b>
Staff development, memberships and subscriptions	<b>77,941</b>	<b>119,631</b>
Computer	<b>116,159</b>	<b>103,860</b>
Professional fees	<b>60,835</b>	<b>62,992</b>
Office	<b>65,784</b>	<b>70,534</b>
Telephone	<b>34,957</b>	<b>49,829</b>
Insurance	<b>12,099</b>	<b>11,709</b>
	<b>\$ 3,739,594</b>	<b>\$ 3,374,051</b>