

Financial Statements of
ABUNDANCE CANADA
December 31, 2019

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, 2019, 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, 2019, 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 Organization 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.

Deloitte LLP

Chartered Professional Accountants

Winnipeg, Manitoba
May 8, 2020


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ABUNDANCE CANADA
Statement of Financial Position
December 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CASH	\$ 8,950,113	\$ 2,377,788
INVESTMENT INCOME RECEIVABLE	613,694	702,965
INVESTMENTS		
Loans receivable	29,548,297	31,393,754
Money market funds	1,020,220	1,018,136
Shares and equity mutual fund units	40,059,350	23,779,257
Bonds and fixed income mutual fund units	120,831,631	147,047,484
OTHER ASSETS (Note 3)	516,827	125,590
CASH SURRENDER VALUE OF LIFE INSURANCE (Note 4)	1,811,162	1,721,010
CAPITAL ASSETS (Note 5)	804,279	835,986
	\$ 204,155,573	\$ 209,001,970
LIABILITIES		
ACCOUNTS PAYABLE (Note 6)	\$ 198,595	\$ 204,752
FUND EARNINGS PAYABLE	1,095,475	758,491
	1,294,070	963,243
COMMITMENTS (Note 11)		
CAPITAL HELD FOR INVESTMENT		
MANAGED TRUST FUNDS	57,789,580	91,630,692
NET ASSETS		
Endowment funds (Note 7)	36,376,155	34,392,263
Other trust funds (Note 8)	108,902,879	81,014,717
Invested in capital assets (Note 5)	804,279	835,986
Internally restricted funds (Note 9)	915,025	983,318
Unrestricted	(1,926,415)	(818,249)
	145,071,923	116,408,035
	202,861,503	208,038,727
	\$ 204,155,573	\$ 209,001,970

APPROVED BY THE BOARD


..... Director


..... Director

ABUNDANCE CANADA
Statement of Operations and Unrestricted Net Assets
Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
INCOME		
Investment and dividend income	\$ 4,405,515	\$ 4,854,938
Interest earned on loans	1,191,539	1,181,204
Gains (losses) allocated to trust fund agreements	1,705,793	(7,365,790)
Losses allocated to Abundance Canada operations	(1,172,225)	(1,008,861)
	<u>6,130,622</u>	<u>(2,338,509)</u>
Other income	634,361	466,607
	<u>6,764,983</u>	<u>(1,871,902)</u>
EXPENSES		
Earnings paid and payable on (losses recovered from) trust and endowment fund accounts	4,134,857	(4,793,247)
Administration and other expenses (Schedule)	3,738,292	3,739,594
	<u>7,873,149</u>	<u>(1,053,653)</u>
OPERATING DEFICIT FOR THE YEAR	<u>(1,108,166)</u>	<u>(818,249)</u>
Add: Amortization expense borne by net assets invested in capital assets	235,249	240,858
Less: Amounts transferred to other funds	(235,249)	(240,858)
NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR	(1,108,166)	(818,249)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR	(818,249)	(988,473)
TRANSFERS FROM INTERNALLY RESTRICTED FUNDS	-	988,473
UNRESTRICTED NET ASSETS, END OF YEAR	\$ (1,926,415)	\$ (818,249)

ABUNDANCE CANADA
Statement of Changes in Net Assets
Year ended December 31, 2019

	2019					2018	
	Internally Restricted Funds	Endowment Funds	Invested in Capital Assets	Other Trust Funds	Unrestricted	Total	Total
BALANCE, BEGINNING OF YEAR	\$ 983,318	\$ 34,392,263	\$ 835,986	\$ 81,014,717	\$ (818,249)	\$ 116,408,035	\$ 116,539,267
OTHER FUND TRANSACTIONS FOR THE YEAR							
Investment income (loss) including capitalized earnings	-	614,688	-	1,052,520	-	1,667,208	(5,790,178)
New gifts from donors	-	1,097,725	-	55,748,650	-	56,846,375	30,379,623
Gifts transferred from managed and other trust funds	(100,000)	802,372	-	(594,621)	-	107,751	163,731
Disbursements to charities	-	(530,893)	-	(28,408,539)	-	(28,939,432)	(24,143,217)
Increase in cash surrender value	-	-	-	90,152	-	90,152	77,058
NET DECREASE IN UNRESTRICTED NET ASSETS FOR THE YEAR	-	-	-	-	(1,108,166)	(1,108,166)	(818,249)
TRANSFERS BETWEEN FUNDS							
Acquisitions of capital assets	(203,542)	-	203,542	-	-	-	-
Amortization expense for the year	-	-	(235,249)	-	235,249	-	-
Appropriations to/from Unrestricted Fund	235,249	-	-	-	(235,249)	-	-
BALANCE, END OF YEAR	\$ 915,025	\$ 36,376,155	\$ 804,279	\$ 108,902,879	\$ (1,926,415)	\$ 145,071,923	\$ 116,408,035

ABUNDANCE CANADA
Statement of Cash Flows
Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
OPERATING ACTIVITIES		
Net decrease in unrestricted net assets for the year	\$ (1,108,166)	\$ (818,249)
Item not affecting cash:		
Amortization	235,249	240,858
	(872,917)	(577,391)
Changes in non-cash operating working capital items:		
Investment income receivable	89,271	(36,342)
Accounts payable	(6,157)	52,493
Fund earnings payable	336,984	(761,134)
Other assets	(391,237)	(26,007)
	(844,056)	(1,348,381)
INVESTMENT ACTIVITIES		
Decrease in managed trust funds	(33,733,361)	(10,354,958)
New deposits to endowment fund and other trust funds	56,846,375	30,543,354
Capitalized earnings (losses) on funds	1,667,208	(5,790,178)
Disbursements paid to charities	(28,939,432)	(24,143,217)
	(4,159,210)	(9,744,999)
INVESTING ACTIVITIES		
Acquisition of capital assets	(203,542)	(243,654)
Decrease in loans receivable	1,845,457	4,531,083
(Increase) decrease in money market funds, shares and equity mutual fund units	(16,282,177)	6,601,133
Decrease (increase) in bonds and fixed income mutual fund units	26,215,853	(11,251,876)
	11,575,591	(363,314)
NET INCREASE (DECREASE) IN CASH POSITION	6,572,325	(11,456,694)
CASH, BEGINNING OF YEAR	2,377,788	13,834,482
CASH, END OF YEAR	8,950,113	\$ 2,377,788

ABUNDANCE CANADA

Notes to the Financial Statements

December 31, 2019

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 and earnings 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, 2019

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, 2019

3. OTHER ASSETS

	<u>2019</u>	<u>2018</u>
Prepaid expenses	\$ 91,587	\$ 65,879
GST/HST receivable	50,240	59,711
Life insurance receivable	375,000	-
	<u>\$ 516,827</u>	<u>\$ 125,590</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 \$15,395,967 (2018 - \$15,470,967). The cash surrender value of these policies at December 31, 2019 is \$1,811,162 (2018 - \$1,721,010).

5. CAPITAL ASSETS

	<u>2019</u>			<u>2018</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 193,976	\$ 135,799	\$ 58,177	\$ 72,470
Leasehold improvements	352,811	289,470	63,341	83,140
Computers and office equipment	220,149	197,594	22,555	31,040
Computer software	1,715,039	1,054,833	660,206	649,336
	<u>\$ 2,481,975</u>	<u>\$ 1,677,696</u>	<u>\$ 804,279</u>	<u>\$ 835,986</u>

6. ACCOUNTS PAYABLE

Included in accounts payable at December 31, 2019 are government remittances payable of \$17,378 (2018 - \$17,670).

7. ENDOWMENT FUNDS

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

	<u>2019</u>	<u>2018</u>
Capital endowment funds	\$ 35,563,906	\$ 33,681,093
Abundance endowment fund	812,249	711,170
	<u>\$ 36,376,155</u>	<u>\$ 34,392,263</u>

ABUNDANCE CANADA
Notes to the Financial Statements
December 31, 2019

8. OTHER TRUST FUNDS

The other trust funds are comprised of the following:

	<u>2019</u>	<u>2018</u>
Irrevocable trust funds	\$ 52,115	\$ 52,122
Life interest funds	7,017,470	6,904,362
Gift annuity funds	3,822	4,967
Gift and bequest funds	100,018,310	72,332,256
Cash surrender value of life insurance policies	1,811,162	1,721,010
	<u>\$108,902,879</u>	<u>\$ 81,014,717</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, 2019 are as follows:

Rate on Face Value	Term			Total
	0-5 years	6-10 years	+ 10 years	
0.00-5.99%	\$ 159,679,892	\$ 670,369	\$ -	\$ 160,350,261

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 value as at December 31, 2019 of \$170,861,314 (2018 – \$174,222,665).

Earnings paid to 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, 2019

10. FINANCIAL INSTRUMENTS (continued)

b) Credit risk

Credit risk arises when a counterparty does not fully honor 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 \$418,904 with payment obligations over the next five years as follows:

2020	\$122,129
2021	93,027
2022	57,152
2023	57,657
2024	24,256
Thereafter	64,683

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.

13. SUBSEQUENT EVENT

Subsequent to the year-end, on March 11 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments will have on the financial results and condition of the Organization in future periods.

ABUNDANCE CANADA

Schedule of Administration and Other Expenses

Year ended December 31, 2019

	<u>2019</u>	<u>2018</u>
Salaries and benefits	\$ 1,959,871	\$ 1,836,015
Interest, bank charges, and investment management fees	475,115	506,164
Advertising and promotion	291,368	371,181
Amortization	235,249	240,858
Travel	209,502	215,974
Rent and common area costs	200,140	201,627
Computer	116,766	116,159
Professional fees	78,466	60,835
Office	68,491	65,784
Staff development, memberships and subscriptions	54,956	77,941
Telephone	35,956	34,957
Insurance	12,412	12,099
	\$ 3,738,292	\$ 3,739,594