

**Endowment Fund of the  
Anglican Church of Canada  
Financial Statements**  
For the year ended December 31, 2018

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**Contents**

<b>Independent Auditor's Report</b>	<b>2 - 3</b>
<b>Financial Statements</b>	
Balance Sheet	<b>4</b>
Statement of Operations	<b>5</b>
Statement of Changes in Net Assets	<b>6</b>
Statement of Cash Flows	<b>7</b>
Notes to Financial Statements	<b>8 - 11</b>



Tel: 905 639 9500  
Fax: 905 633 4939  
Toll-free: 888 236 2383  
www.bdo.ca

BDO Canada LLP  
3115 Harvester Road, Suite 400  
Burlington ON L7N 3N8 Canada

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## Independent Auditor's Report

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To the Board of Trustees of  
Endowment Fund of the Anglican Church of Canada

### Opinion

We have audited the financial statements of Endowment Fund of the Anglican Church of Canada (the "Fund"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, 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 Fund 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 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.

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



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## Independent Auditor's Report (Continued)

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### 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:

- 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 Fund'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 Fund'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 Fund 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.

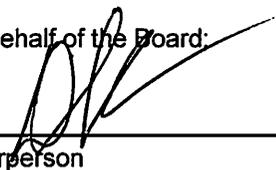
*BDO CANADA LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Burlington, Ontario  
May 9, 2019

**Endowment Fund of the  
Anglican Church of Canada  
Statement of Financial Position**

December 31	2018	2017
<b>Assets</b>		
Cash	\$ 84,062	\$ 94,141
Accounts receivable	1,175	907
Investments (Note 4)	<u>5,827,992</u>	<u>6,547,054</u>
	\$ 5,913,229	\$ 6,642,102
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued liabilities	\$ 9,163	\$ 9,163
Due to related party (Note 3)	<u>1,712</u>	<u>5,087</u>
	10,875	14,250
<b>Net Assets</b>		
Endowment Fund	1,072,038	1,072,038
Externally Restricted - Special Funds	2,196,722	2,575,386
Unrestricted - Ordinary Funds	<u>2,633,594</u>	<u>2,980,428</u>
	5,902,354	6,627,852
	\$ 5,913,229	\$ 6,642,102

On behalf of the Board:



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Chairperson



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Trustee

**Endowment Fund of the  
Anglican Church of Canada  
Statement of Operations**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Revenue</b>		
Donations received	\$ 334	\$ 4,397
Investment income (loss) (Note 5)	(341,527)	658,264
	<b>(341,193)</b>	<b>662,661</b>
<b>Expenditures</b>		
Benefits paid	317,545	312,756
Administrative expenses (Note 6)	66,760	64,706
	<b>384,305</b>	<b>377,462</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>\$ (725,498)</b>	<b>\$ 285,199</b>

The accompanying notes are an integral part of these financial statements.

**Endowment Fund of the  
Anglican Church of Canada  
Statement of Changes in Net Assets**

For the year ended December 31	2018	2017		
	Endowment Fund	Externally Restricted - Special Funds	Unrestricted Ordinary Funds	Total
Net assets available, beginning of the year	\$ 1,072,038	\$ 2,575,386	\$ 2,980,428	\$ 6,627,852
Excess (deficiency) of revenue over expenditures	-	(378,664)	(346,834)	(725,498)
Endowment fund capital contributions	-	-	-	-
Net assets available, end of year	<b>\$ 1,072,038</b>	<b>\$ 2,196,722</b>	<b>\$ 2,633,594</b>	<b>\$ 5,902,354</b>
				<b>\$ 6,627,852</b>

The accompanying notes are an integral part of these financial statements.

**Endowment Fund of the  
Anglican Church of Canada  
Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2018</b>	<b>2017</b>
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess (deficiency) of revenue over expenditures	\$ (725,498)	\$ 285,199
Adjustments to reconcile excess (deficiency) of revenue over expenditures to net cash provided by (used in) operating activities		
Realized gain on sale of investments	(50,070)	(124,118)
Unrealized loss (gain) on investments	831,294	(194,136)
Changes in non-cash working capital balance		
Accounts receivable	(268)	2,009
Accounts payable and accrued liabilities	-	264
	<u>55,458</u>	<u>(30,782)</u>
<b>Financing activity</b>		
Endowment fund capital contributions	-	20,345
<b>Investing activities</b>		
Net disposal (acquisition) of investments	(62,162)	38,438
Increase (decrease) in due to related party	(3,375)	4,635
	<u>(65,537)</u>	<u>43,073</u>
<b>Net increase (decrease) in cash</b>	<b>(10,079)</b>	<b>32,636</b>
<b>Cash, beginning of year</b>	<b>94,141</b>	<b>61,505</b>
<b>Cash, end of year</b>	<b>\$ 84,062</b>	<b>\$ 94,141</b>

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# Endowment Fund of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

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## 1. Significant Accounting Policies

### **Nature and Purpose of the Fund**

Endowment Fund of the Anglican Church of Canada (the "Fund") is a charitable organization that receives donations and bequests that are used to supplement the pensions of retired members of the General Synod Pension Plan.

### **Basis of Presentation**

These financial statements are prepared using Canadian accounting standards for not-for-profit organizations ("ASPNO").

### **Funding Policy**

The Fund receives donations and bequests and earns investment income on the undistributed amounts in the Fund.

### **Investments**

Investments are primarily in pooled funds and are stated at fair value in a trade date basis. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of operations as investment income.

Pooled fund investments are valued at the unit values supplied by the pooled fund administrator, which represent the Fund's proportionate share of underlying net assets at fair values determined using closing market prices.

Interest income is recognized on a time proportionate basis. The purchase and sale of securities are recorded on a settlement date basis. Realized gains and losses from security transactions are based on the average cost of the security.

### **Financial Instruments**

Financial instruments, excluding investments, are recorded at fair value when acquired or issued and subsequently measured at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are charged to the financial instrument for those measured at amortized cost.

### **Revenue Recognition**

The Fund uses the deferral method of accounting for contributions. Endowment contributions are recognized as direct increases in net assets in the current period. Restricted contributions for expenses are deferred and recognized as revenue in the same period as the related expenses are recognized. Unrestricted contributions are recognized as revenue in the current period.

### **Use of Estimates**

The preparation of financial statements in accordance 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 revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

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# Endowment Fund of the Anglican Church of Canada Notes to Financial Statements

December 31, 2018

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## 1. Significant Accounting Policies (Continued)

### Income Tax Status

The Fund is registered as a charitable organization for income tax purposes and is exempt from income tax under section 149(1)(l) of the Income Tax Act.

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## 2. Description of the Fund

The following description of the Endowment Fund of the Anglican Church of Canada is a summary only. For more complete information, reference should be made to the Fund Regulations.

### General

Funds are received by way of gift, donation or bequest as an enhancement to benefits of the General Synod Pension Plan.

Components of the Fund can be described as follows:

- i) Endowment Fund - represents accumulated contributions that are to be preserved by the Fund. Investment returns are recognized as increases in either the special fund or the ordinary fund and can be disbursed in accordance with the Fund's benefit payment policy as established by the Endowment Committee of the General Synod of the Anglican Church of Canada.
- ii) Special Funds - represents funds received that are disbursed in accordance with the restrictions stipulated by donors or trusts.
- iii) Ordinary Funds - represents unrestricted funds received that may be disbursed at the discretion of the Endowment Committee of The General Synod of the Anglican Church of Canada.

The Pension Committee is the Endowment Committee of the Anglican Church of Canada who is the Administrator of the Fund. The Board of Trustees has the ultimate responsibility for all aspects of the investment of the Fund. The members of the Board of Trustees are appointed by the Pension Committee of the General Synod.

### Fund Benefits

The Fund payment is made once a year and the amount varies according to investment returns of the Fund. The distribution rate will normally be the same as the target rate of return for the Fund of 5%. This may be reduced if necessary to preserve the capital in the special and ordinary funds for future distributions.

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## Endowment Fund of the Anglican Church of Canada Notes to Financial Statements

**December 31, 2018**

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### 3. Related Party Transactions and Balances

The Pension Office Corporation of the Anglican Church of Canada administers the Fund. Effective January 1, 2015, the Fund entered into a cost sharing and agency agreement between the various pension and benefit plans of the Anglican Church of Canada (the "Plans") and the Pension Office Corporation. In the current year, the Fund paid the Pension Office Corporation \$36,028 (2017 - \$34,434) to cover the Fund's share of the operating expenses. This transaction is measured at its exchange value (the amount of consideration established and agreed to by the related party).

The following amount is due to a related party at year end:

	2018		2017	
Pension Office Corporation of the Anglican Church of Canada	\$	1,028	\$	434
General Synod Pension Fund of the Anglican Church of Canada		684		4,653
	<b>\$</b>	<b>1,712</b>	<b>\$</b>	<b>5,087</b>

The Fund has a common Board of Directors/Trustees with the Pension Office Corporation of the Anglican Church of Canada.

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### 4. Investments

	2018		2017	
	Cost	Market Value	Cost	Market Value
Letko Brosseau Balanced Fund	\$ 4,302,894	\$ 4,563,314	\$ 4,277,935	\$ 5,154,488
Letko Brosseau Equity Fund	1,069,833	1,264,678	982,560	1,392,566
	<b>\$ 5,372,727</b>	<b>\$ 5,827,992</b>	<b>\$ 5,260,495</b>	<b>\$ 6,547,054</b>

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### 5. Investment Income (Loss)

	2018		2017	
Pooled fund distributions	\$	439,697	\$	339,998
Realized gain on sale of investments		50,070		124,118
Unrealized gain (loss) on investments		(831,294)		194,135
Interest income		-		13
	<b>\$</b>	<b>(341,527)</b>	<b>\$</b>	<b>658,264</b>

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**Endowment Fund of the  
Anglican Church of Canada  
Notes to Financial Statements**

**December 31, 2018**

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**6. Administrative Expenses**

	2018	2017
Administrative fees (Note 3)	\$ 36,028	\$ 34,434
Audit fees	9,163	9,163
Insurance	1,372	1,244
Investment management fees	22,757	22,377
Sales tax rebates	(2,560)	(2,512)
	\$ 66,760	\$ 64,706

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**7. Financial Risk Management**

The Fund's activities expose it to a variety of direct and indirect financial risks: credit risk, liquidity risk and market risk (including currency risk, interest risk and other price risk). These risks have not changed from the prior year.

**Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund's financial instruments that are exposed to concentrations of credit risk relate primarily to cash and investments. The Fund manages its exposure to this risk by maintaining its cash with a major Schedule 1 bank and maintaining its fixed income investments in a prudently managed diversified balanced fund.

**Liquidity Risk**

Liquidity risk is the risk that the Fund encounters difficulty in meeting its obligations associated with financial liabilities. Liquidity risk arises from accounts payable and accrued liabilities. The Fund continues to focus on maintaining adequate liquidity to meet operating working capital requirements and capital expenditures.

**Market Risk**

The Fund is exposed to fluctuations in equity markets on its investments within the pooled funds.

**Interest Rate Risk**

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's fixed income investments within the balanced pooled fund are subject to interest rate risk.

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**8. Comparative Figures**

Certain comparative figures have been reclassified to conform to the current year's presentation.