

Financial Statements of

**ABBOTSFORD COMMUNITY
FOUNDATION**

Year ended December 31, 2015



KPMG LLP
32575 Simon Avenue
Abbotsford BC V2T 4W6
Canada
Telephone (604) 854-2200
Fax (604) 853-2756

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Abbotsford Community Foundation,

We have audited the accompanying financial statements of the Abbotsford Community Foundation, which comprise the statement of financial position as at December 31, 2015, the statements of revenue, expenses and fund equity, and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

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.

Auditors' 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 an 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 our 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, we consider 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 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 Abbotsford Community Foundation as at December 31, 2015, 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.

Report on other Legal and Regulatory Requirements

As required by the Society Act (British Columbia), we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

Chartered Professional Accountants

April 21, 2016
Abbotsford, Canada

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash	\$ 349,275	\$ 386,164
Accounts receivable	6,634	4,525
	<u>355,909</u>	<u>390,689</u>
Investments, measured at fair value (note 2)	10,200,893	10,358,632
Life insurance policies (note 3)	584,486	573,909
Capital assets (note 4)	615	2,916
	<u>\$ 11,141,903</u>	<u>\$ 11,326,146</u>

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities (note 5)	\$ 15,628	\$ 16,836
Grants payable	71,350	110,900
	<u>86,978</u>	<u>127,736</u>

Fund Balances

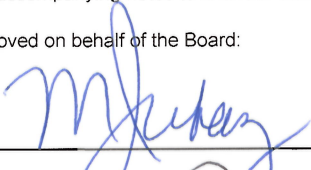
General	104,209	103,398
Restricted:		
Endowments (note 7)	10,089,142	9,956,738
Other (note 8)	861,574	1,138,274
	<u>11,054,925</u>	<u>11,198,410</u>

Commitments (note 9)


\$ 11,141,903 \$ 11,326,146

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Revenue, Expenses and Fund Equity

Year ended December 31, 2015, with comparative information for 2014

	General		Restricted			2015	2014
			Endowment	Other	Total		
Revenue							
Investment revenue							
Investment income	\$ 90,579	\$ -	\$ 305,379	\$ 305,379	\$ 395,958	\$ 528,755	
(Loss) gain on investments (note 2)	(3,701)	-	(12,479)	(12,479)	(16,180)	250,999	
Increase in value of life insurance policies	-	10,577	-	10,577	10,577	72,675	
Less: Investment management fees	(10,229)	-	(34,486)	(34,486)	(44,715)	(43,798)	
	76,649	10,577	258,414	268,991	345,640	808,631	
Contributions							
Designated funds	-	16,554	-	16,554	16,554	78,364	
Flow through	-	-	128,619	128,619	128,619	326,748	
Other	-	11,087	-	11,087	11,087	223,435	
Gifts-in-kind (note 10)	-	2,490	74,284	76,774	76,774	168,814	
Scholarship and bursary funds	-	38,426	-	38,426	38,426	18,980	
	-	68,557	202,903	271,460	271,460	816,341	
Administration fees							
Charged on restricted funds	163,181	-	(163,181)	(163,181)	-	-	
Other	22,587	-	-	-	22,587	21,416	
	185,768	-	(163,181)	(163,181)	22,587	21,416	
Fundraising revenue							
Gala	70,019	-	-	-	70,019	85,650	
Luncheon	7,400	-	-	-	7,400	10,500	
	77,419	-	-	-	77,419	96,150	
Total revenue	339,836	79,134	298,136	377,270	717,106	1,742,538	
Expenses							
Grants							
Community grants fund	86,733	-	-	-	86,733	86,500	
Designated funds	-	-	103,319	103,319	103,319	105,728	
Scholarship and bursary funds	-	-	195,800	195,800	195,800	140,300	
Annual scholarship and bursary awards	-	-	105,750	105,750	105,750	124,350	
Agricultural and true sport grants	-	-	55,000	55,000	55,000	123,363	
Gala charity partners grants	-	-	-	-	-	21,174	
	86,733	-	459,869	459,869	546,602	601,415	
Administrative expenses							
Amortization	2,675	-	-	-	2,675	6,101	
Contract fees	17,289	-	-	-	17,289	17,805	
Insurance	1,506	-	-	-	1,506	1,506	
Office and miscellaneous	24,742	-	-	-	24,742	21,321	
Professional fees	12,000	-	-	-	12,000	11,500	
Public relations and communications	16,211	-	-	-	16,211	19,584	
Rent	13,992	-	-	-	13,992	14,520	
Salaries and wages	118,875	-	-	-	118,875	116,539	
Scholarship and bursary expenses	1,582	-	-	-	1,582	1,475	
Telephone and utilities	3,705	-	-	-	3,705	3,493	
	212,577	-	-	-	212,577	213,844	
Other expenses							
Life insurance premiums	-	-	66,049	66,049	66,049	59,120	
Fundraising expenses							
Gala	33,808	-	-	-	33,808	35,050	
Luncheon	1,555	-	-	-	1,555	4,660	
	35,363	-	-	-	35,363	39,710	
Total expenses	334,673	-	525,918	525,918	860,591	914,089	
(Deficiency) excess of revenue over expenses	5,163	79,134	(227,782)	(148,648)	(143,485)	828,449	
Fund balances, beginning of year	103,398	9,956,738	1,138,274	11,095,012	11,198,410	10,369,961	
Interfund transfers (note 6)	(4,352)	53,270	(48,918)	4,352	-	-	
Fund balances, end of year	\$ 104,209	\$ 10,089,142	\$ 861,574	\$ 10,950,716	\$ 11,054,925	\$ 11,198,410	

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2015 with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operations:		
(Deficiency) excess of revenue over expenses	\$ (143,485)	\$ 828,449
Items not involving cash:		
Amortization	2,675	6,101
Increase in value of life insurance policies	(10,577)	(72,675)
Net loss on investments	16,180	7,712
Changes in non-cash operating working capital:		
Accounts receivable	(2,109)	392
Accounts payable and accrued liabilities	(1,208)	1,815
Grants payable	(39,550)	(600)
	(178,074)	771,194
Investments:		
Purchase of capital assets	(374)	(1,097)
Dividends and interest reinvested in investments	(392,198)	(783,256)
Net withdrawals from investments	533,757	174,725
	141,185	(609,628)
Increase (decrease) in cash position	(36,889)	161,566
Cash position, beginning of year	386,164	224,598
Cash position, end of year	\$ 349,275	\$ 386,164

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2015

General:

Abbotsford Community Foundation (the "Foundation") was established for the purpose of funding various charitable, educational, recreational and cultural organizations primarily in the Abbotsford area.

The Foundation is incorporated under the Society Act (British Columbia) as a not-for-profit organization and is a registered charity under the Income Tax Act (the "Act"), and as such is not subject to income taxes provided certain requirements of the Act are met.

1. Significant accounting policies:

These financial statements are prepared by management in accordance with Canadian accounting standards for not-for-profit organizations. The Foundation's significant accounting policies are as follows:

(a) Basis of accounting and presentation:

The Foundation follows the restricted fund method of accounting for contributions, thereby recognizing contributions and investment income as revenue in the appropriate restricted funds as specified by donors. The fund classifications are:

(i) General

General - represents unrestricted contributions, unrestricted investment income, unrestricted fundraising proceeds, administrative fees charged to restricted funds, administrative expenses and community grants.

(ii) Restricted - Endowment

Restricted - Endowment represents funds that are permanently restricted either by the donor or internally by the Foundation; these funds must be maintained in perpetuity.

Administration fees are charged on the restricted funds in accordance with specific agreements with the donors.

(iii) Restricted - Other

Restricted - Other represent flow-through funds specifically designated by donors, as well as restricted investment income earned on the endowment funds.

Administration fees are charged on the restricted funds in accordance with specific agreements with the donors.

(b) Revenue recognition:

Contributions, including contributions of financial instruments, are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recorded in the appropriate fund on the accrual basis.

Contributed services and materials are not recognized in the financial statements due to the difficulty in determining fair value.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2015

1. Significant accounting policies (continued):

(c) Life insurance policies:

Life insurance policies are valued at their cash surrender value. Proceeds from insurance policies are recognized when the insurance proceeds are received.

(d) Capital assets:

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis using the following annual rates:

Computer equipment and software	3 years straight line
Office furniture and equipment	3 years straight line

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(f) Use of estimates:

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of investments and grants payable. Actual results could differ from those estimates.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2015

2. Investments, measured at fair value:

	2015	2014
Fixed income	\$ 4,577,644	\$ 4,614,101
Global equity	2,697,093	2,585,751
Money market	310,172	307,518
Canadian equity	2,615,984	2,851,262
	\$ 10,200,893	\$ 10,358,632

Included in gain (loss) on investments are the following:

	2015	2014
Realized gains	\$ 81,438	\$ 258,711
Unrealized losses	(97,618)	(7,712)
	\$ (16,180)	\$ 250,999

3. Life insurance policies:

	2015	2014
Cash surrender value of life insurance policies	\$ 584,486	\$ 573,909

The Foundation is the beneficiary named under life insurance policies in the aggregate amount of \$2,385,855 (2014 - \$2,145,350).

4. Capital assets:

	2015		2014	
	Cost	Amortization	Net book value	Net book value
Computer equipment and software	\$ 22,093	\$ 21,478	\$ 615	\$ 2,014
Office furniture and equipment	6,698	6,698	-	902
	\$ 28,791	\$ 28,176	\$ 615	\$ 2,916

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$2,713 (2014 - \$2,889), consisting of amounts payable for WCB and payroll related taxes.

6. Interfund transfers:

The Foundation transferred \$17,059 (2014 - \$11,794) from the Restricted - Other to the Restricted - Endowment for investment income added to the endowment principal as requested by the donors.

The Foundation transferred \$36,211 (2014 - \$nil) from the General to the Restricted - Endowment representing net proceeds from the Gala that were restricted to the Smart & Caring Fund.

The Foundation transferred \$31,859 (2014 - \$nil) from the Restricted - Other to the General relating to prior year administration fees.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2015

7. Restricted Endowments:

	2015	2014
Administration Fund	\$ 721,620	\$ 721,620
Abbotsford Heat Hockey Team	60,000	60,000
Agricultural Enhancement Fund	223,000	223,000
Designated Funds	2,938,286	2,896,431
Housing Fund	144,327	144,327
John Kroger Fund for Children	600,282	600,282
Matching Fund	207	207
Scholarship and Bursary Funds	3,948,961	3,908,269
Smart & Caring Fund	1,452,459	1,402,602
	<u>\$ 10,089,142</u>	<u>\$ 9,956,738</u>

The restricted endowment balance is comprised of the following:

	2015	2014
Investments	\$ 9,504,656	\$ 9,382,829
Cash surrender value of life insurance policies	584,486	573,909
	<u>\$ 10,089,142</u>	<u>\$ 9,956,738</u>

The life insurance policies held by the Foundation are restricted in designated funds.

8. Other Restricted Funds:

On an annual basis the Board approves the portion of Other Restricted funds that is available for grants and student awards as per the Foundation's spending policy. The funds approved by the Board for grants and student awards is based on a percentage of gross investment revenue, net of administration fees. Accordingly, as at December 31, 2015, \$550,614 (2014 - \$844,575) of the Other Restricted fund balance is funds approved, but not yet distributed, for grants and student awards.

9. Commitments:

The Foundation has a commitment related to a lease of office premises accounted for as an operating lease with minimum lease payments as follows:

2016	8,696
	<u>\$ 8,696</u>

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2015

10. Gifts-in-kind:

During the year, the Foundation received \$76,774 (2014 - \$168,814) of gifts-in-kind. Gifts-in-kind are recorded under contributions and represent gifts of investment securities and insurance policy premiums.

11. Managed funds:

Managed funds are funds the Foundation invests on behalf of other charities. Per the agreements, these investments and their revenue are not owned by the Foundation and therefore, are excluded from the Foundation's investments. The Foundation charges the charities a 1.5% administration fee for this service.

12. Financial Risks:

The Foundation manages its investment portfolio to earn investment income and invests according to an investment policy approved by the Board. The Foundation is not involved in any hedging relationships through its operations and does not hold or use any derivative financial instruments for trading purposes.

The Foundation manages interest-rate, market, credit and cash flow risk from its financial instruments by investing in a diversified portfolio.

Additionally, the Foundation believes it is not exposed to significant liquidity risk as all investments are held in instruments that are highly liquid and can be disposed of to settle commitments.