

Financial Statements of

**ABBOTSFORD COMMUNITY
FOUNDATION**

Year ended December 31, 2016



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Abbotsford Community Foundation

We have audited the accompanying financial statements of Abbotsford Community Foundation, which comprise the statement of financial position as at December 31, 2016, the statements of revenue, expenses and fund balances, 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 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 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Abbotsford Community Foundation as at December 31, 2016, 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.

Report on other Legal and Regulatory Requirements

As required by the Societies 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.

KPMG LLP

Chartered Professional Accountants

April 27, 2017

Abbotsford, Canada

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2016, with comparative information for 2015

	2016	2015
Assets		
Current assets:		
Cash	\$ 314,770	\$ 349,275
Accounts receivable	10,508	6,634
	325,278	355,909
Investments, measured at fair value (note 2)	11,074,518	10,200,893
Life insurance policies (note 3)	614,507	584,486
Capital assets (note 4)	555	615
	\$ 12,014,858	\$ 11,141,903

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities (note 5)	\$ 17,396	\$ 15,628
Grants payable	53,325	71,350
	70,721	86,978

Fund Balances

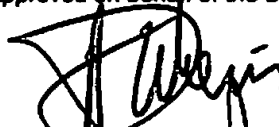
General	199,970	104,209
Restricted:		
Endowments (note 7)	10,512,263	10,089,142
Other (note 8)	1,231,904	861,574
	11,944,137	11,054,925

Commitments (note 9)

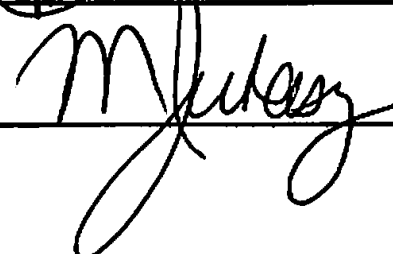
	\$ 12,014,858	\$ 11,141,903
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See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Revenue, Expenses and Fund Balances

Year ended December 31, 2016, with comparative information for 2015

	General		Restricted			2016	2015
			Endowment	Other	Total		
Revenue							
Investment revenue							
Investment income	\$ 102,718	\$ -	\$ 357,211	\$ 357,211	\$ 459,929	\$ 395,958	
Gain (loss) on investments (note 2)	87,982	-	305,964	305,964	393,946	(16,180)	
Increase in value of life insurance policies	-	30,021	-	30,021	30,021	10,577	
Less: Investment management fees	(9,871)	-	(34,329)	(34,329)	(44,200)	(44,715)	
	180,829	30,021	628,846	658,867	839,696	345,640	
Contributions							
Designated funds	-	53,350	-	53,350	53,350	16,554	
Flow through	-	-	351,795	351,795	351,795	128,619	
Other	750	292,765	-	292,765	293,515	11,087	
Gifts-in-kind (note 10)	-	-	24,500	24,500	24,500	76,774	
Scholarship and bursary funds	-	6,142	-	6,142	6,142	38,426	
	750	352,257	376,295	728,552	729,302	271,460	
Administration fees							
Charged on restricted funds	164,977	-	(164,977)	(164,977)	-	-	
Other	23,319	-	-	-	23,319	22,587	
	188,296	-	(164,977)	(164,977)	23,319	22,587	
Fundraising revenue							
Gala	-	-	-	-	-	70,019	
Golf tournament	49,366	-	-	-	49,366	-	
Luncheon	9,450	-	-	-	9,450	7,400	
	58,816	-	-	-	58,816	77,419	
Total revenue	428,691	382,278	840,164	1,222,442	1,651,133	717,106	
Expenses							
Grants							
Community grants fund	83,520	-	-	-	83,520	86,733	
Designated funds	-	-	43,253	43,253	43,253	103,319	
Scholarship and bursary funds	-	-	115,700	115,700	115,700	195,800	
Annual scholarship and bursary awards	-	-	104,900	104,900	104,900	105,750	
Agricultural and true sport grants	-	-	166,421	166,421	166,421	55,000	
	83,520	-	430,274	430,274	513,794	546,602	
Administrative expenses							
Amortization	490	-	-	-	490	2,675	
Contract fees	17,168	-	-	-	17,168	17,289	
Insurance	1,820	-	-	-	1,820	1,506	
Office and miscellaneous	18,534	-	-	-	18,534	24,742	
Professional fees	10,395	-	-	-	10,395	12,000	
Public relations and communications	8,992	-	-	-	8,992	16,211	
Rent	15,973	-	-	-	15,973	13,992	
Salaries and wages (note 13)	118,458	-	-	-	118,458	118,875	
Scholarship and bursary expenses	1,696	-	-	-	1,696	1,582	
Telephone and utilities	3,337	-	-	-	3,337	3,705	
	196,863	-	-	-	196,863	212,577	
Other expenses							
Life insurance premiums (note 10)	-	-	24,500	24,500	24,500	66,049	
Fundraising expenses							
Gala	-	-	-	-	-	33,808	
Golf tournament	23,687	-	-	-	23,687	-	
Luncheon	3,077	-	-	-	3,077	1,555	
	26,764	-	-	-	26,764	35,363	
Total expenses	307,147	-	454,774	454,774	761,921	860,591	
Excess (deficiency) of revenue over expenses	121,544	382,278	385,390	767,668	889,212	(143,485)	
Fund balances, beginning of year	104,209	10,089,142	861,574	10,950,716	11,054,925	11,198,410	
Interfund transfers (note 6)	(25,783)	40,843	(15,060)	25,783	-	-	
Fund balances, end of year	\$ 199,970	\$ 10,512,263	\$ 1,231,904	\$ 11,744,167	\$ 11,944,137	\$ 11,054,925	

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2016 with comparative information for 2015

	2016	2015
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ 889,212	\$ (143,485)
Items not involving cash:		
Amortization	490	2,675
Increase in value of life insurance policies	(30,021)	(10,577)
Unrealized loss (gain) on investments	(398,869)	97,618
Changes in non-cash operating working capital:		
Accounts receivable	(3,874)	(2,109)
Accounts payable and accrued liabilities	1,768	(1,208)
Grants payable	(18,025)	(39,550)
	440,681	(96,636)
Investments:		
Purchase of capital assets	(430)	(374)
Dividends and interest reinvested in investments	(457,026)	(392,198)
Net withdrawals from (contributions to) investments	(17,730)	452,319
	(475,186)	59,747
Decrease in cash position	(34,505)	(36,889)
Cash position, beginning of year	349,275	386,164
Cash position, end of year	\$ 314,770	\$ 349,275

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2016

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 financial management policies of the Foundation.

(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 financial management policies of the Foundation.

(b) Revenue recognition:

Contributions, including contributions of financial instruments and payments of insurance policy premiums, 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, 2016

1. Significant accounting policies (continued):

(c) Life insurance policies:

Life insurance policies are valued at their cash surrender value. Proceeds from insurance policies in excess of their cash surrender value 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
Office furniture and equipment	3 years

(e) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship, and 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 elected to record its investments 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, 2016

2. Investments, measured at fair value:

	2016	2015
Fixed income	\$ 4,961,799	\$ 4,577,644
Global equity	3,244,261	2,697,093
Money market	324,675	310,172
Canadian equity	2,543,783	2,615,984
	\$ 11,074,518	\$ 10,200,893

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

	2016	2015
Realized gains (losses)	\$ (4,923)	\$ 81,438
Unrealized gains (losses)	398,869	(97,618)
	\$ 393,946	\$ (16,180)

3. Life insurance policies:

	2016	2015
Cash surrender value of life insurance policies (note 7)	\$ 614,507	\$ 584,486

The Foundation is the beneficiary named under life insurance policies in the aggregate amount of \$2,421,683 (2015 - \$2,385,855).

4. Capital assets:

	2016		2015	
	Cost	Amortization	Net book value	Net book value
Computer equipment and software	\$ 22,093	\$ 21,969	\$ 124	\$ 615
Office furniture and equipment	646	215	431	-
	\$ 22,739	\$ 22,184	\$ 555	\$ 615

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$3,147 (2015 - \$2,713), consisting of amounts payable for workers' compensation and payroll related taxes.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2016

6. Interfund transfers:

The Foundation transferred \$15,060 (2015 - \$17,059) from the Restricted - Other to the Restricted - Endowment for investment income added to the endowment principal as requested by the donors.

The Foundation transferred \$25,783 (2015 - \$36,211) from the General to the Restricted - Endowment representing net proceeds from the golf tournament that were restricted to the Smart & Caring Fund.

The Foundation transferred nil (2015 - \$31,859) from the Restricted - Other to the General relating to prior year administration fees.

7. Restricted Endowments:

	2016	2015
Administration Fund	\$ 721,620	\$ 721,620
Abbotsford Heat Hockey Team	60,000	60,000
Abbotsford Symphony Orchestra	22,874	-
Agricultural Enhancement Fund	515,303	223,000
Designated Funds (a)	3,000,234	2,938,286
Housing Fund	144,327	144,327
John Kroger Fund for Children	600,282	600,282
Matching Fund	-	207
Scholarship and Bursary Funds	3,958,732	3,948,961
Smart & Caring Fund	1,488,891	1,452,459
	\$ 10,512,263	\$ 10,089,142

The restricted endowment balance is comprised of the following:

	2016	2015
Investments	\$ 9,897,756	\$ 9,504,656
Cash surrender value of life insurance policies	614,507	584,486
	\$ 10,512,263	\$ 10,089,142

(a) 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, 2016, \$842,789 (2015 - \$550,614) of the Other Restricted fund balance is funds approved, but not yet distributed, for grants and student awards.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2016

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:

2017	\$	13,488
2018		13,488
2019		13,488
2020		13,488
2021		7,868
	\$	61,820

10. Gifts-in-kind:

During the year, the Foundation received \$24,500 (2015 - \$76,774) 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.

13. Remuneration

For the fiscal year ending December 31, 2016, the Foundation paid remuneration of \$90,249 to one employee.

14. Comparative information

Certain comparative information in the financial statements has been reclassified to conform to the presentation used in the current year. The changes do not affect prior year earnings.