

Financial Statements of

**ABBOTSFORD COMMUNITY
FOUNDATION**

Year ended December 31, 2017



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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, 2017, 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.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Abbotsford Community Foundation as at December 31, 2017, 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 26, 2018

Abbotsford, Canada

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
Assets		
Current assets:		
Cash	\$ 319,539	\$ 314,770
Accounts receivable	4,820	10,508
	<u>324,359</u>	<u>325,278</u>
Investments, measured at fair value (note 2)	12,454,207	11,074,518
Life insurance policies (note 3)	676,820	614,507
Capital assets (note 4)	2,275	555
	<u>\$ 13,457,661</u>	<u>\$ 12,014,858</u>

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities (note 5)	\$ 16,442	\$ 17,396
Grants payable	83,676	53,325
	<u>100,118</u>	<u>70,721</u>

Fund Balances

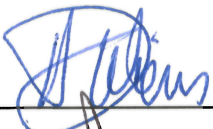
General	319,973	199,970
Restricted:		
Endowments (note 7)	11,651,755	10,512,263
Other (note 8)	1,385,815	1,231,904
	<u>13,357,543</u>	<u>11,944,137</u>

Commitments (note 9)

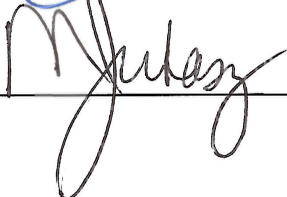
	<u>\$ 13,457,661</u>	<u>\$ 12,014,858</u>
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See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Revenue, Expenses and Fund Balances

Year ended December 31, 2017, with comparative information for 2016

	General		Restricted			2017	2016
			Endowment	Other	Total		
Revenue							
Investment revenue							
Investment income	\$ 144,806	\$ -	\$ 435,269	\$ 435,269	\$ 580,075	\$ 459,929	
Gain on investments (note 2)	95,118	-	285,911	285,911	381,029	393,946	
Increase in value of life insurance policies	-	62,313	-	62,313	62,313	30,021	
Investment management fees	(11,717)	-	(35,221)	(35,221)	(46,938)	(44,200)	
	228,207	62,313	685,959	748,272	976,479	839,696	
Contributions							
Designated funds	-	226,894	-	226,894	226,894	53,350	
Flow through	50,000	-	314,116	314,116	364,116	351,795	
Other	453,030	275,981	-	275,981	729,011	293,515	
Gifts-in-kind (note 10)	-	8,522	50,585	59,107	59,107	24,500	
Scholarship and bursary funds	-	30,632	-	30,632	30,632	6,142	
	503,030	542,029	364,701	906,730	1,409,760	729,302	
Administration fees							
Charged on restricted funds	168,937	-	(168,635)	(168,635)	302	-	
Other	20,141	-	-	-	20,141	23,319	
	189,078	-	(168,635)	(168,635)	20,443	23,319	
Fundraising revenue							
Golf tournament	74,195	-	-	-	74,195	49,366	
Luncheon	13,635	-	-	-	13,635	9,450	
	87,830	-	-	-	87,830	58,816	
Total revenue	1,008,145	604,342	882,025	1,486,367	2,494,512	1,651,133	
Expenses							
Grants							
Community grants fund	130,646	-	-	-	130,646	83,520	
Designated funds	-	-	113,063	113,063	113,063	43,253	
Scholarship and bursary funds	-	-	193,900	193,900	193,900	115,700	
Annual scholarship and bursary awards	-	-	130,000	130,000	130,000	104,900	
Agricultural and true sport grants	-	-	216,276	216,276	216,276	166,421	
	130,646	-	653,239	653,239	783,885	513,794	
Administrative expenses							
Amortization	1,370	-	-	-	1,370	490	
Contract fees	18,762	-	-	-	18,762	17,168	
Insurance	1,951	-	-	-	1,951	1,820	
Office and miscellaneous	31,788	-	-	-	31,788	18,534	
Professional fees	10,022	-	-	-	10,022	10,395	
Public relations and communications	12,725	-	-	-	12,725	8,992	
Rent	15,000	-	-	-	15,000	15,973	
Salaries and wages (note 12)	129,802	-	-	-	129,802	118,458	
Scholarship and bursary expenses	5,455	-	-	-	5,455	1,696	
Telephone and utilities	4,242	-	-	-	4,242	3,337	
	231,117	-	-	-	231,117	196,863	
Other expenses							
Life insurance premiums (note 10)	-	-	25,000	25,000	25,000	24,500	
Fundraising expenses							
Golf tournament	34,484	-	-	-	34,484	23,687	
Luncheon	6,620	-	-	-	6,620	3,077	
	41,104	-	-	-	41,104	26,764	
Total expenses	402,867	-	678,239	678,239	1,081,106	761,921	
Excess of revenue over expenses	605,278	604,342	203,786	808,128	1,413,406	889,212	
Fund balances, beginning of year	199,970	10,512,263	1,231,904	11,744,167	11,944,137	11,054,925	
Interfund transfers (note 6)	(485,275)	535,150	(49,875)	485,275	-	-	
Fund balances, end of year	\$ 319,973	\$ 11,651,755	\$ 1,385,815	\$ 13,037,570	\$ 13,357,543	\$ 11,944,137	

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2017 with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,413,406	\$ 889,212
Items not involving cash:		
Amortization	1,370	490
Increase in value of life insurance policies	(62,313)	(30,021)
Unrealized gain on investments	(286,973)	(398,869)
Changes in non-cash operating working capital:		
Accounts receivable	5,688	(3,874)
Accounts payable and accrued liabilities	(954)	1,768
Grants payable	30,351	(18,025)
	1,100,575	440,681
Investments:		
Purchase of capital assets	(3,090)	(430)
Dividends and interest reinvested in investments	(577,534)	(457,026)
Net contributions to investments	(515,182)	(17,730)
	(1,095,806)	(475,186)
Increase (decrease) in cash	4,769	(34,505)
Cash, beginning of year	314,770	349,275
Cash, end of year	\$ 319,539	\$ 314,770

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2017

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 Societies 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, and is authorized to issue donation receipts for income tax purposes. On November 28, 2016, the new Societies Act (British Columbia) became effective and the Foundation filed for transition on October 19, 2017.

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, 2017

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 grants payable and provisions for accrued liabilities and contingencies. Actual results could differ from those estimates.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2017

2. Investments, measured at fair value:

	2017	2016
Fixed income	\$ 5,616,126	\$ 4,961,799
Global equity	3,701,184	3,244,261
Money market	374,584	324,675
Canadian equity	2,762,313	2,543,783
	\$ 12,454,207	\$ 11,074,518

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

	2017	2016
Realized gains (losses)	\$ 94,056	\$ (4,923)
Unrealized gains	286,973	398,869
	\$ 381,029	\$ 393,946

3. Life insurance policies:

	2017	2016
Cash surrender value of life insurance policies (note 7)	\$ 676,820	\$ 614,507

The Foundation is the beneficiary named under life insurance policies in the aggregate amount of \$2,455,408 (2016 - \$2,421,683).

4. Capital assets:

			2017	2016
	Cost	Amortization	Net book value	Net book value
Computer equipment and software	\$ 25,183	\$ 23,123	\$ 2,060	\$ 124
Office furniture and equipment	646	431	215	431
	\$ 25,829	\$ 23,554	\$ 2,275	\$ 555

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of nil (2016 - \$3,147), consisting of amounts payable for workers' compensation and payroll related taxes.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2017

6. Interfund transfers:

The Foundation transferred \$35,275 (2016 - \$25,783) from the General to the Restricted - Endowment representing net proceeds from the golf tournament that were restricted to the Smart & Caring Fund. The Foundation also transferred \$450,000 (2016 - nil) from the General to the Restricted - Endowment and \$49,875 (2016 - \$15,060) from Restricted - Other to the Restricted - Endowment.

7. Restricted Endowments:

	2017	2016
Administration Fund	\$ 721,620	\$ 721,620
Abbotsford Heat Hockey Team	60,000	60,000
Abbotsford Symphony Orchestra	22,874	22,874
Agricultural Enhancement Fund	775,303	515,303
Designated Funds (a)	3,296,732	3,000,234
Housing Fund	144,327	144,327
John Kroger Fund for Children	600,282	600,282
Scholarship and Bursary Funds	4,012,526	3,958,732
Smart & Caring Fund	2,018,091	1,488,891
	\$ 11,651,755	\$ 10,512,263

The restricted endowment balance is comprised of the following:

	2017	2016
Investments	\$ 10,974,935	\$ 9,897,756
Cash surrender value of life insurance policies	676,820	614,507
	\$ 11,651,755	\$ 10,512,263

(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, 2017, \$804,742 (2016 - \$842,789) 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, 2017

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:

2018	\$	13,163
2019		13,163
2020		13,163
2021		7,678
	\$	47,167

10. Gifts-in-kind:

During the year, the Foundation received \$50,585 (2016 - \$24,500) of gifts-in-kind. Gifts-in-kind are recorded under contributions and represent gifts of investment securities and insurance policy premiums.

11. 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.

12. Remuneration

For the fiscal year ending December 31, 2017, the Foundation did not have any employees or contractors for services whose total annual remuneration was greater than \$75,000 (2016 - \$90,249 to one employee).