

Financial Statements of

**ABBOTSFORD COMMUNITY
FOUNDATION**

Year ended December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Abbotsford Community Foundation

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of the Abbotsford Community Foundation (the "Foundation"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of revenue, expenses and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation 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 "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Foundation 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 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the 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 Foundation'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 Foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Foundation 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.
- 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.



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

Abbotsford, Canada

April 25, 2019

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
Assets		
Current assets:		
Cash	\$ 354,779	\$ 319,539
Accounts receivable	5,078	4,820
	<u>359,857</u>	<u>324,359</u>
Investments, measured at fair value (note 2)	12,100,564	12,454,207
Life insurance policies (note 3)	684,417	676,820
Capital assets (note 4)	5,292	2,275
	<u>\$ 13,150,130</u>	<u>\$ 13,457,661</u>

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities (note 5)	\$ 16,525	\$ 16,442
Grants payable	104,150	83,676
	<u>120,675</u>	<u>100,118</u>

Fund Balances



General	124,147	319,973
Restricted:		
Endowments (note 7)	12,257,343	11,651,755
Other	647,965	1,385,815
	<u>13,029,455</u>	<u>13,357,543</u>

Commitments (note 9)

	<u>\$ 13,150,130</u>	<u>\$ 13,457,661</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, 2018 with comparative information for 2017

	General	Restricted			2018	2017
		Endowment	Other	Total		
Revenue						
Investment revenue						
Investment income	\$ 134,037	\$ -	\$ 485,319	\$ 485,319	\$ 619,356	\$ 580,075
Gain (loss) on investments (note 2)	(177,900)	-	(644,135)	(644,135)	(822,035)	381,029
Increase in value of life insurance policies	-	7,597	-	7,597	7,597	62,313
Investment management fees	(10,880)	-	(39,393)	(39,393)	(50,273)	(46,938)
	(54,743)	7,597	(198,209)	(190,612)	(245,355)	976,479
Contributions						
Designated funds	-	164,863	-	164,863	164,863	226,894
Flow through	-	-	267,015	267,015	267,015	364,116
Other	50,000	106,129	-	106,129	156,129	729,011
Gifts-in-kind (note 10)	-	2,475	25,000	27,475	27,475	59,107
Scholarship and bursary funds	-	163,091	-	163,091	163,091	30,632
	50,000	436,558	292,015	728,573	778,573	1,409,760
Administration fees						
Charged on restricted funds	179,959	-	(179,959)	(179,959)	-	302
Other	23,195	-	-	-	23,195	20,141
	203,154	-	(179,959)	(179,959)	23,195	20,443
Fundraising revenue						
Golf tournament	98,471	-	-	-	98,471	74,195
Luncheon	13,490	-	-	-	13,490	13,635
	111,961	-	-	-	111,961	87,830
Total revenue	310,372	444,155	(86,153)	358,002	668,374	2,494,512
Expenses						
Grants						
Community grants fund	119,509	-	-	-	119,509	130,646
Designated funds	-	-	106,129	106,129	106,129	113,063
Scholarship and bursary funds	-	-	178,950	178,950	178,950	193,900
Annual scholarship and bursary awards	-	-	110,750	110,750	110,750	130,000
Agricultural and true sport grants	-	-	155,621	155,621	155,621	216,276
	119,509	-	551,450	551,450	670,959	783,885
Administrative expenses						
Amortization	3,376	-	-	-	3,376	1,370
Contract fees	25,512	-	-	-	25,512	18,762
Insurance	2,061	-	-	-	2,061	1,951
Office and miscellaneous	29,836	-	-	-	29,836	31,788
Professional fees	12,289	-	-	-	12,289	10,022
Public relations and communications	23,923	-	-	-	23,923	12,725
Rent	15,041	-	-	-	15,041	15,000
Salaries and wages (note 12)	134,987	-	-	-	134,987	129,802
Scholarship and bursary expenses	1,900	-	-	-	1,900	5,455
Telephone and utilities	4,016	-	-	-	4,016	4,242
	252,941	-	-	-	252,941	231,117
Other expenses						
Life insurance premiums (note 10)	-	-	25,000	25,000	25,000	25,000
Fundraising expenses						
Golf tournament	40,223	-	-	-	40,223	34,484
Luncheon	7,339	-	-	-	7,339	6,620
	47,562	-	-	-	47,562	41,104
Total expenses	420,012	-	576,450	576,450	996,462	1,081,106
Excess (deficiency) of revenue over expenses	(109,640)	444,155	(662,603)	(218,448)	(328,088)	1,413,406
Fund balances, beginning of year	319,973	11,651,755	1,385,815	13,037,570	13,357,543	11,944,137
Interfund transfers (note 6)	(86,186)	161,433	(75,247)	86,186	-	-
Fund balances, end of year	\$ 124,147	\$ 12,257,343	\$ 647,965	\$ 12,905,308	\$ 13,029,455	\$ 13,357,543

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2018 with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses	\$ (328,088)	\$ 1,413,406
Items not involving cash:		
Amortization	3,376	1,370
Increase in value of life insurance policies	(7,597)	(62,313)
Unrealized loss (gain) on investments	968,467	(286,973)
Changes in non-cash operating working capital:		
Accounts receivable	(258)	5,688
Accounts payable and accrued liabilities	83	(954)
Grants payable	20,474	30,351
	656,457	1,100,575
Investments:		
Purchase of capital assets	(6,393)	(3,090)
Dividends and interest reinvested in investments	(616,710)	(577,534)
Net withdrawals from (contributions to) investments	1,886	(515,182)
	(621,217)	(1,095,806)
Increase in cash	35,240	4,769
Cash, beginning of year	319,539	314,770
Cash, end of year	\$ 354,779	\$ 319,539

See accompanying notes to financial statements.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements

Year ended December 31, 2018

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.

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, 2018

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, 2018

2. Investments, measured at fair value:

	2018	2017
Fixed income	\$ 5,636,814	\$ 5,616,126
Global equity	4,001,395	3,701,184
Money market	125,698	374,584
Canadian equity	2,336,657	2,762,313
	<u>\$ 12,100,564</u>	<u>\$ 12,454,207</u>

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

	2018	2017
Realized gains	\$ 146,432	\$ 94,056
Unrealized gains (losses)	(968,467)	286,973
	<u>\$ (822,035)</u>	<u>\$ 381,029</u>

3. Life insurance policies:

	2018	2017
Cash surrender value of life insurance policies (note 7)	\$ 684,417	\$ 676,820

The Foundation is the beneficiary named under life insurance policies in the aggregate amount of \$1,750,000 (2017 - \$1,750,000).

4. Capital assets:

	2018		2017	
	Cost	Amortization	Net book value	Net book value
Computer equipment and software	\$ 27,336	\$ 24,871	\$ 2,465	\$ 2,060
Office furniture and equipment	11,584	8,757	2,827	215
	<u>\$ 38,920</u>	<u>\$ 33,628</u>	<u>\$ 5,292</u>	<u>\$ 2,275</u>

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of \$2,149 (2017 - nil), consisting of amounts payable for workers' compensation and payroll related taxes.

ABBOTSFORD COMMUNITY FOUNDATION

Notes to the Financial Statements (continued)

Year ended December 31, 2018

6. Interfund transfers:

The Foundation transferred \$58,000 (2017 - \$35,275) 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 \$28,186 (2017 - \$450,000) from the General to the Restricted - Endowment and \$75,247 (2017 - \$49,875) from Restricted - Other to the Restricted - Endowment, to move undistributed funds to endowment funds, as agreed to by fundholders, where applicable.

7. Restricted endowments:

	2018	2017
Administration Fund	\$ 871,619	\$ 721,620
Abbotsford Heat Hockey Team	60,000	60,000
Abbotsford Symphony Orchestra	22,874	22,874
Agricultural Enhancement Fund	945,303	775,303
Designated Funds (a)	3,677,152	3,296,732
Housing Fund	144,327	144,327
John Kroger Fund for Children	600,282	600,282
Scholarship and Bursary Funds	4,286,796	4,012,526
Smart & Caring Fund	1,632,927	2,018,091
Matching Fund	16,063	-
	\$ 12,257,343	\$ 11,651,755

The restricted endowment balance is comprised of the following:

	2018	2017
Investments	\$ 11,572,926	\$ 10,974,935
Cash surrender value of life insurance policies	684,417	676,820
	\$ 12,257,343	\$ 11,651,755

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

8. Distributable funds:

On an annual basis the Board approves the amount of 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 are based on investment returns earned on Endowment fund balances, net of administration fees. Accordingly, as at December 31, 2018, \$698,034 (2017 - \$804,742) 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, 2018

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:

2019	\$	13,163
2020		13,163
2021		7,678
	\$	34,004

10. Gifts-in-kind:

During the year, the Foundation received \$27,245 (2017 - \$59,107) 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, 2018, the Foundation had one employee with total annual remuneration greater than \$75,000 (2017 - no employees) who was paid \$95,000.

No amounts were paid to any members of the Board of Directors.