



Financial Statements

Inspirit Foundation

December 31, 2017

Contents

	Page
Independent Auditor's Report	1 - 2
Statement of Operations	3
Statement of Changes in Net Assets	4
Statement of Financial Position	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 12

Independent Auditor's Report

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To the Board of Directors of
Inspirit Foundation

We have audited the accompanying financial statements of Inspirit Foundation, which comprise the statement of financial position as at December 31, 2017, and the statements of operations, changes in net assets, and cash flows for the year then ended, and 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.

Auditor's 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 the auditor's 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, the auditor considers 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 Inspirit Foundation as at December 31, 2017, 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.

Toronto, Canada
June 8, 2018

Grant Thornton LLP

Chartered Professional Accountants
Licensed Public Accountants

Inspirit Foundation

Statement of Operations

Year ended December 31	2017	2016
Revenue		
Unrealized gain on investments	\$ 1,529,070	\$ 942,025
Investment income	903,202	765,410
Realized gain on sale of investments	584,319	273,584
Other	34,900	9,500
Interest on note receivable	-	101,185
	<u>3,051,491</u>	<u>2,091,704</u>
Expenses		
Salaries and benefits	926,006	840,245
Grants and programs	779,880	623,093
General and administrative	398,180	400,276
Investment fees	223,214	211,357
Amortization of property and equipment	50,209	54,830
Professional fees	29,545	34,112
	<u>2,407,034</u>	<u>2,163,913</u>
Excess (deficiency) of revenue over expenses	<u>\$ 644,457</u>	<u>\$ (72,209)</u>

Inspirit Foundation

Statement of Changes in Net Assets

Year ended December 31

	Invested in property and equipment	Unrestricted	Total 2017	Total 2016
Balance, beginning of year	\$ 1,078,667	\$ 35,034,065	\$ 36,112,732	\$ 36,184,941
Excess (deficiency) of revenue over expenses	(50,209)	694,666	644,457	(72,209)
Investment in property and equipment	<u>3,118</u>	<u>(3,118)</u>	<u>-</u>	<u>-</u>
Balance, end of period	<u>\$ 1,031,576</u>	<u>\$ 35,725,613</u>	<u>\$ 36,757,189</u>	<u>\$ 36,112,732</u>

Inspirit Foundation

Statement of Cash Flows

Year ended December 31	2017	2016
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenue over expenses	\$ 644,457	\$ (72,209)
Items not affecting cash		
Unrealized gain on investments	(1,529,070)	(942,025)
Amortization of property and equipment	<u>50,209</u>	<u>54,830</u>
	(834,404)	(959,404)
Change in non-cash working capital items		
Accounts receivable	7,103	16,905
Prepaid expenses	-	4,340
Accounts payable and accrued liabilities	<u>70,935</u>	<u>30,360</u>
	(756,366)	(907,799)
Investing		
Proceeds from note receivable	-	5,901,572
Net decrease (increase) in founding investments	1,401,922	(3,930,674)
Net increase of mission-related investments	(216,707)	(1,478,904)
Purchase of property and equipment	<u>(3,118)</u>	<u>-</u>
	1,182,097	491,994
Increase (decrease) in cash	425,731	(415,805)
Cash		
Beginning of year	<u>452,491</u>	<u>868,296</u>
End of year	<u>\$ 878,222</u>	<u>\$ 452,491</u>

Inspirit Foundation

Notes to the Financial Statements

December 31, 2017

1. Nature of operations

Inspirit Foundation (the "Foundation") was incorporated without share capital by Letters Patent under the Canada Corporations Act on April 27, 1984 under the name Vision TV: Canada's Faith Network/Réseau Religieux Canadien (Vision TV). The Foundation is a registered charity under the Income Tax Act (Canada) and, as such, is exempt from income taxes. The Foundation continued under the Canada Not-for-Profit Corporations Act in July 2014.

The Foundation, as a registered charity, is required to meet a disbursement quota defined by the Act. The Foundation reports on compliance with this requirement each year in the annual filings with the Canada Revenue Agency (CRA). The Foundation was in compliance with this disbursement quota requirement for fiscal 2017.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations. The significant policies are detailed as follows:

Revenue recognition

Investment income is recorded on an accrual basis and includes interest income and dividends.

The realized gain on sale of investments is the difference between proceeds received and the average cost of investments sold.

All changes in fair value, other than investment income are recognized in the statement of operations as unrealized gain on investments.

Other income, which includes donation and miscellaneous income, is recognized when received.

Property and equipment

Purchased property and equipment are recorded at cost and are amortized using the straight-line method over the following number of years.

Condominium	40 years
Computer equipment	3 years
Furniture and fixtures	5 years
Computer software	5 years

Inspirit Foundation

Notes to the Financial Statements

December 31, 2017

2. Significant accounting policies (continued)

Financial instruments

The Foundation considers any contract creating a financial asset, liability or equity instrument as a financial instrument.

The Foundation's financial instruments consist of cash, founding investments, mission-related investments and accounts payable.

Cash and founding investments are recorded at fair value.

Accounts receivable is initially measured at fair value and, subsequently, at amortized cost.

Mission-related investments that are impact fixed income instruments are initially recorded at cost and adjusted for impairment when circumstances arise that indicate the investment cost will not be recouped. Mission-related investments that are equity instruments are initially recorded at cost and adjusted for impairment when circumstances arise that indicated the investment cost will not be recouped. When the investment is determined to be impaired, its value is written down to its residual value.

Financial assets or liabilities obtained in related party transactions are measured at their exchange amount.

Management estimates

Certain items in the preparation of these financial statements require management's best estimate. Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to the excess (deficiency) of revenue over expenses as appropriate in the year they become known. Estimates include the allowance for doubtful accounts receivable, estimated useful lives of property and equipment, and valuation of investments.

Inspirit Foundation

Notes to the Financial Statements

December 31, 2017

3. Founding investments	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 913,200	\$ 659,317
Fixed income securities	10,358,460	10,262,608
Canadian equity	10,970,155	11,556,076
Foreign equity	10,534,898	10,260,898
Alternative investments	<u>174,322</u>	<u>84,988</u>
	<u>\$ 32,951,035</u>	<u>\$ 32,823,887</u>

Fixed income securities consist of pooled funds.

Alternative investments include private equity invested in civil infrastructure (roads, bridges, water distribution), social infrastructure (schools, hospitals), and renewable power infrastructure (hydro, wind, solar).

4. Mission-related investments

The Foundation's mission-related investments are as follows:

	<u>2017</u>	<u>2016</u>
Impact fixed income instruments (at cost)		
Oikocredit	\$ 509,167	\$ 500,000
Artscape Launchpad	500,000	500,000
SolarShare	250,000	250,000
Community Forward Fund	144,547	144,547
Community Power Capital	142,911	-
CoPower Fund II	63,451	94,610
Centre for Social Innovation	50,000	50,000
Pillar	50,000	50,000
CoPower Green Bonds	<u>34,745</u>	<u>-</u>
	<u>1,744,821</u>	<u>1,589,157</u>
Equity instruments (at cost)		
Investeco	150,591	135,532
Renewal 3	157,047	157,938
New Commons Development	<u>46,875</u>	<u>-</u>
	<u>354,513</u>	<u>293,470</u>
	<u>\$ 2,099,334</u>	<u>\$ 1,882,627</u>

Inspirit Foundation

Notes to the Financial Statements

December 31, 2017

5. Property and equipment

			<u>2017</u>	<u>2016</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Condominium	\$ 1,106,633	\$ 90,090	\$ 1,016,543	\$ 1,044,209
Computer equipment	22,064	20,361	1,703	280
Furniture and fixtures	104,242	90,912	13,330	34,178
Computer software	4,316	4,316	-	-
	<u>\$ 1,237,255</u>	<u>\$ 205,679</u>	<u>\$ 1,031,576</u>	<u>\$ 1,078,667</u>

6. Related party transactions

The Foundation and 3858278 Canada Foundation are related parties as they share the same Board of Directors. 3858278 is a registered Canadian charity.

During fiscal 2017, the Foundation provided a designated grant of \$85,000 to 3858278 Canada Foundation for the Doc Impact Fund project. This is included in grants and programs expense in the statement of operations.

This transaction is in the normal course of operations and has been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

7. Commitments, contingencies and guarantees

(a) Commitments:

As at December 31, 2017, the Foundation is committed to grant payments of \$130,000. The Foundation also has committed to subscriptions on mission-related investments of \$528,620.

(b) Contingencies:

A claim has been filed against the Foundation for damages, however, the outcome of this action is not yet determinable. No amount has been accrued with regard to this claim.

(c) Guarantees:

The Foundation is committed to a maximum guarantee of \$100,000 of borrowing by the Immigrant Access Fund of Canada Inc.

Inspirit Foundation

Notes to the Financial Statements

December 31, 2017

8. Financial instruments

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extended risk related to financial instruments. The Foundation is primarily exposed to interest rate, market, currency, credit and liquidity risks. There has been no changes to the nature of the risk exposure from prior year.

(a) Interest rate risk:

Interest rate risk is the risk that the fair value of financial instruments will fluctuate due to changes in market interest rates.

The Foundation is exposed to interest rate risk arising from its investments. Interest rate risk arise from the possibility that changes in interest rates will affect the value of fixed income securities held by the Foundation. This risk is managed by staggering the terms of the securities held and ensuring diversification of the holdings.

(b) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual security, or its issuer, or factors affecting all securities traded in the market.

The Foundation is exposed to market risk arising from its investments, particularly the trading in equity securities, fixed income securities, holdings in alternative investments and mission-related investments. The Foundation mitigates this risk through controls to monitor and the diversification of its holdings.

(c) Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Foundation is exposed to currency risk arising from its investments. As at December 31, 2017, 32% (2016 - 31%) of the investments are invested in non-Canadian equity. Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Foundation's foreign securities. The philosophy of the Foundation, and its global investment management service provider, is that since the portfolio is managed, such that individual securities are held for the long-term and investments are held in multiple currencies, any foreign exchange risks should be minimized in the long-term without the need for a hedging strategy to be implemented.

Inspirit Foundation

Notes to the Financial Statements

December 31, 2017

8. Financial instruments (continued)

(d) Credit risk:

Credit risk is the risk that a counterparty may default on its contractual obligations resulting in a financial loss.

The Foundation is exposed to credit risk arising from its mission-related investments (including the guarantee) and alternative investments, due to the inherent higher degree of risk in private equity and venture capital. The Foundation mitigates this risk through ongoing monitoring of investment performance, including periodic review of financial statements and interim financial reports, and limit concentration levels with any one investment through alternative investments or mission-related investments.

The Foundation is also exposed to credit risk arising from its accounts receivable. However, given the nature of accounts receivable being primarily from the government related to sales tax, the risk is considered minimal. As at December 31, 2017, the Foundation has an allowance for doubtful accounts of \$Nil (2016 - \$Nil).

(e) Liquidity risk:

Liquidity risk is the risk that the Foundation will be unable to fulfill its obligations on a timely basis or at a reasonable cost.

The Foundation is exposed to liquidity risk arising from its accounts payable. The Foundation manages its liquidity risk by monitoring its operating requirements. The Foundation prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.