



**METROPOLITAN ANDREY SHEPTYTSKY INSTITUTE FOUNDATION
FONDATION DE L'INSTITUT MÉTROPOLITE ANDREY SHEPTYTSKY
Фундація Інституту ім. Митрополита Андрея Шептицького**



Financial Statements

For the year ended December 31, 2015



**Metropolitan Andrey Sheptytsky
Institute Foundation
Financial Statements**
For the year ended December 31, 2015

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Independent Auditor's Report

To the Members of the Metropolitan Andrey Sheptytsky Institute Foundation

We have audited the accompanying financial statements of the Metropolitan Andrey Sheptytsky Institute Foundation (the "Foundation") which comprise the balance sheet as at December 31, 2015, and the statements of operations, changes in fund balances, 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 qualified audit opinion.

Independent Auditor's Report (continued)

Basis for Qualified Opinion

In common with many not-for-profit charitable organizations, the Foundation derives revenue from donations and fundraising activities, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of revenue from donations and fundraising activities was limited to the amounts recorded in the records of the Foundation. Therefore we were not able to determine whether any adjustments might be necessary to the financial statements resulting from revenue from donations and fundraising activities. In addition, our verification was limited to the transactions recorded in the Foundation's records since January 1, 2007. Therefore we were not able to determine if any adjustments might be necessary to the financial statements for transactions prior to January 1, 2007.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Metropolitan Andrey Sheptytsky Institute 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.

Collins Barrow Ottawa LLP

Chartered Professional Accountants, Licensed Public Accountants
June 6, 2016
Ottawa, Ontario

Metropolitan Andrey Sheptytsky Institute Foundation

Balance Sheet

December 31	2015	2014
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Assets

Cash (Note 1)	\$ 997,764	\$ 385,931
Investments (Note 2)	4,855,730	5,453,859
Government remittances receivable	3,187	7,098
	\$ 5,856,681	\$ 5,846,888

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ 15,568	\$ 15,100
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Fund balances (Note 3)

Endowment Fund	4,926,766	5,090,848
Restricted Fund (Note 4)	306,532	306,532
Other Restrictions Fund (Note 5)	93,320	77,300
General Fund	514,495	357,108
	5,841,113	5,831,788
	\$ 5,856,681	\$ 5,846,888

On behalf of the Board:

Signed: Andrew Hladyshevsky
President

Signed: Yuri S. Broda
Treasurer

Metropolitan Andrey Sheptytsky Institute Foundation

Statement of Changes in Fund Balances

For the year ended December 31, 2015

	Endowment Fund	Restricted Fund	Other Restrictions Fund	General Fund	Total
Fund balances , beginning of year (Note 3)	\$5,090,848	\$ 306,532	\$ 77,300	\$ 357,108	\$5,831,788
Excess (deficiency) of revenue over expenses for the year	(164,082)	-	16,020	157,387	9,325
Fund balances , end of year (Note 3)	\$4,926,766	\$ 306,532	\$ 93,320	\$ 514,495	\$5,841,113

For the year ended December 31, 2014

	Endowment Fund	Restricted Fund	Other Restrictions Fund	General Fund	Total
Fund balances, beginning of year (Note 3)	\$5,003,499	\$ 306,532	\$ 60,300	\$ 353,399	\$5,723,730
Excess of revenue over expenses for the year	87,349	-	17,000	3,709	108,058
Fund balances, end of year (Note 3)	\$5,090,848	\$ 306,532	\$ 77,300	\$ 357,108	\$5,831,788

Metropolitan Andrey Sheptytsky Institute Foundation Statement of Operations

For the year ended December 31, 2015

	Endowment Fund	Restricted Fund	Other Restrictions Fund	General Fund	Total
Revenue					
Donations and fundraising activities	\$ -	\$ -	\$ 57,020	\$ 330,687	\$ 387,707
Investment income	54,560	3,395	-	6,849	64,804
Total revenue	54,560	3,395	57,020	337,536	452,511
Expenses					
Administrative recovery	-	-	-	(8,333)	(8,333)
Contributions to Saint Paul University (Notes 6 and 8)	218,642	3,395	40,000	130,778	392,815
Fundraising events	-	-	1,000	5,503	6,503
Insurance	-	-	-	1,950	1,950
Other administration	-	-	-	5,805	5,805
Professional fees - accounting, audit, tax and legal	-	-	-	24,426	24,426
Professional fees - investment advisor	-	-	-	11,172	11,172
Travel and meetings	-	-	-	8,848	8,848
Total expenses	218,642	3,395	41,000	180,149	443,186
Excess (deficiency) of revenue over expenses for the year	\$ (164,082)	\$ -	\$ 16,020	\$ 157,387	\$ 9,325

For the year ended December 31, 2014

	Endowment Fund	Restricted Fund	Other Restrictions Fund	General Fund	Total
Revenue					
Donations and fundraising activities	\$ -	\$ -	\$ 21,000	\$ 249,539	\$ 270,539
Investment income	300,847	18,993	-	39,675	359,515
Total revenue	300,847	18,993	21,000	289,214	630,054
Expenses					
Administrative assistance	-	-	-	8,750	8,750
Contributions to Saint Paul University (Notes 6 and 8)	213,498	18,993	-	148,509	381,000
Fundraising study	-	-	-	10,394	10,394
Fundraising events	-	-	-	15,316	15,316
Insurance	-	-	-	1,950	1,950
Other administration	-	-	-	5,485	5,485
Professional fees - accounting, audit, tax and legal	-	-	-	21,270	21,270
Professional fees - investment advisor	-	-	-	7,236	7,236
Travel and meetings	-	-	-	5,268	5,268
25th Anniversary event	-	-	4,000	61,327	65,327
Total expenses	213,498	18,993	4,000	285,505	521,996
Excess of revenue over expenses for the year	\$ 87,349	\$ -	\$ 17,000	\$ 3,709	\$ 108,058

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Metropolitan Andrey Sheptytsky Institute Foundation

Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in) operating activities		
Excess of revenue over expenses for the year - all funds	\$ 9,325	\$ 108,058
Adjustments for		
Decrease in accrued interest on investments carried at amortized cost (Note 2)	12,735	4,071
Net unrealized loss (gain) on investments carried at fair value (Note 2)	109,146	(176,789)
	131,206	(64,660)
Changes in non-cash working capital items		
Government remittances receivable	3,911	1,087
Accounts payable and accrued liabilities	468	(18,383)
	135,585	(81,956)
Cash provided by (used in) investing activities		
Net disposals (purchases) of investments and reinvested realized investment income	476,248	(3,655)
Net increase (decrease) in cash for the year	611,833	(85,611)
Cash, beginning of year	385,931	471,542
Cash, end of year	\$ 997,764	\$ 385,931

Metropolitan Andrey Sheptytsky Institute Foundation

Summary of Significant Accounting Policies

December 31, 2015

**Purpose of
Organization**

Until April 3, 2014, the Metropolitan Andrey Sheptytsky Institute Foundation (the "Foundation") was a not-for-profit organization incorporated without share capital under the Canada Corporations Act.

Effective April 3, 2014, the Foundation was continued under the Canada Not-for-profit Corporations Act (the "Act"). In accordance with the Foundation's Articles of Continuance under the Act, the Foundation's purposes are:

- To advance education by establishing and maintaining the Metropolitan Andrey Sheptytsky Institute; and
- To receive and maintain a fund or funds and to apply all or part of the principal and income therefrom, from time to time, to the Metropolitan Andrey Sheptytsky Institute at an accredited University that is a registered charity under the Income Tax Act (Canada), or its successors, or in the event that the Metropolitan Andrey Sheptytsky Institute is separately registered as a charity, then directly to such registered charity.

The Articles of Continuance also require that any property remaining on the liquidation of the Foundation, after the discharge of its liabilities, shall be distributed to one or more qualified donees within the meaning of the Income Tax Act (Canada) with similar purposes.

The Foundation's operations as at December 31, 2015 and 2014 were for the purpose of raising, receiving and maintaining a fund or funds in order to assist in providing long-term financial support to the Metropolitan Andrey Sheptytsky Institute of Eastern Christian Studies located at Saint Paul University in Ottawa, Canada. (See also Note 6 to these financial statements.)

The Foundation is a registered charity in Canada and the United States and, as such, is exempt from income taxes and may issue income tax receipts to donors.

Basis of Presentation

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations which are part of Canadian generally accepted accounting principles and include the following significant accounting policies.

Use of Estimates

The preparation of financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from management's best estimates as additional information becomes available. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the period in which they become known.

Metropolitan Andrey Sheptytsky Institute Foundation

Summary of Significant Accounting Policies

December 31, 2015

Use of Estimates
(continued)

Significant estimates include assumptions in establishing provisions for accrued liabilities and the allocation of investment income among funds.

Financial Instruments

Financial instruments are financial assets or financial liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets.

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value, except for certain non-arm's length transactions.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity and other investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in operations as part of the Foundation's investment income.

Financial assets measured at amortized cost include cash, certain investments, and government remittances receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Impairment

Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in operations as part of the Foundation's investment income. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting an allowance account, provided it is no greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in operations as part of the Foundation's investment income.

Transaction costs

The Foundation recognizes its transaction costs in operations in the period incurred. However, the financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions, and donations and fundraising are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. The Foundation does not recognize pledges of donations as revenue of the appropriate fund until the donation is received. In addition, bequests are recognized as revenue of the appropriate fund when the bequest is received.

Metropolitan Andrey Sheptytsky Institute Foundation

Summary of Significant Accounting Policies

December 31, 2015

Revenue Recognition (continued)

Commencing in 2008, the Foundation's investment income, including gains and losses on investments, is allocated to its funds on a weighted-average pro-rata basis, except as explained below with respect to the Other Restrictions Fund. Prior to 2008, investment income, including gains and losses on investments, was recorded in the General Fund. The Foundation's investment income is available to fund the Foundation's charitable contributions in accordance with donor directives and decisions by the Foundation's Board of Directors. Unexpended restricted investment income, if any, would remain as part of the Endowment and/or Restricted Fund and/or the Other Restrictions Fund, as applicable, and be available for future years' contributions from these funds. Unexpended investment income not allocated to these funds forms part of the General Fund.

Endowment Fund

The Endowment Fund holds funds which have been permanently endowed to the Foundation, other funds raised and transferred to the fund by the Foundation's Board of Directors, and any applicable unexpended restricted investment income.

Restricted Fund

The Restricted Fund reports amounts classified as ten or twenty year gifts for Income Tax purposes, and any applicable unexpended restricted investment income.

Other Restrictions Fund

The Other Restrictions Fund reports amounts received with donor-specified restrictions as to their use and/or distribution, and any applicable unexpended restricted investment income, that had not been met by year end. Generally these funds would be used/distributed in the near term and interest is generally not allocated to this fund unless it is specifically requested by the donor or if circumstances warrant.

General Fund

The General Fund is unrestricted, accounts for revenue and expenses related to the Foundation's other operations, and includes any applicable unexpended investment income not allocated to the Foundation's other funds.

Contributions to Saint Paul University

Contributions (donations) to Saint Paul University are recognized as expenses in the appropriate fund when the contribution has been initiated and approved for payment by the Foundation. Therefore, pledges of contributions are not recognized in the financial statements until they have been initiated and approved for payment by the Foundation.

Metropolitan Andrey Sheptytsky Institute Foundation

Summary of Significant Accounting Policies

December 31, 2015

**Foreign Currency
Translation**

Transactions during the year in a foreign currency have been converted in the accounts to Canadian dollars by the use of the exchange rate in effect at that date. All monetary assets and liabilities are translated into Canadian dollars using the exchange rate in effect at the respective Balance Sheet date. The resulting foreign exchange gains and losses, are included in investment income in the Statement of Operations for the respective year.

**Contributed Materials,
Services and Assets**

Volunteers contribute (donate) an indeterminable number of hours per year to the Foundation. Due to the difficulty in determining their fair value, contributed (donated) services are not recognized in the financial statements.

Materials or assets contributed (donated) to the Foundation are not recognized in the financial statements unless the item would otherwise be purchased and its fair value is reasonably determinable. For the year ended December 31, 2015 and 2014 there were no significant amounts of materials or assets contributed (donated) to the Foundation.

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

1. Cash

Cash is held in Canadian and U.S. financial institutions including chartered banks, credit unions and brokerage accounts. Most accounts earn a nominal rate of interest, if any. As at December 31, 2015 the Foundation's cash held includes \$38,134 Canadian denominated in U.S. dollars (2014 - \$10,489 Canadian denominated in U.S. dollars).

2. Investments

	2015	2014
Variable rate demand deposits in financial institutions, at amortized cost	\$ 82,577	\$ 70,969
Fixed income investments - redeemable and non-redeemable		
At amortized cost	1,265,580	1,915,499
At fair value	491,020	589,458
Equity investments, at fair value		
Units in various Canadian funds, common units and/or shares	1,742,827	1,879,050
Units in various Canadian funds, preferred units	62,973	76,839
Units in foreign funds, common units and/or shares	580,847	504,355
Canadian common shares	294,143	347,537
Mutual funds, at fair value		
Interest bearing savings account	221,143	70,152
Equity pooled funds	114,620	-
Total investments	\$ 4,855,730	\$ 5,453,859

A continuity of the carrying value of investments follows.

	2015	2014
Balance, beginning of year	\$ 5,453,859	\$ 5,277,486
Net purchases (disposals) including reinvested realized investment income	(476,248)	3,655
Decrease in accrued interest for the year related to investments carried at amortized cost	(12,735)	(4,071)
Fair value increases (decreases) - change in quoted values for the year related to investments carried at fair value	(109,146)	176,789
Balance, end of year	\$ 4,855,730	\$ 5,453,859

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

2. Investments (continued)

A summary description of the Foundation's investments follows.

The variable rate demand deposits in financial institutions carried at amortized cost consist of cash held in several financial institutions and share accounts held in credit unions. These deposits include \$78,786 Canadian denominated in U.S. dollars (2014 - \$65,672 Canadian denominated in U.S. dollars).

The fixed income investments carried at amortized cost, which is cost plus accrued interest, consist of guaranteed investment certificates not traded in the market with interest rates from 2.300% to 3.150% (2014 - 1.750% to 3.850%) on their face values totaling \$1,251,588 (2014 - \$1,888,773) with maturity dates of 2016 to 2019 (2014 - maturity dates of 2015 to 2019).

The fixed income investments carried at fair value are comprised of government and corporate debt securities traded in the market with stated interest rates of 1.700% to 4.300% (2014 - stated interest rates of 1.7000% to 4.570%) with a total face value of \$465,000 (2014 - \$535,000) with maturity dates of 2017 to 2022 (2014 - maturity dates of 2017 to 2022). These stated interest rates and face values impact the cash flow expected during the terms. Generally the fair value of these fixed income securities exceed their face value since interest rate levels at December 31 as well as the interest rate levels at the time the securities were purchased were less than the stated interest rates of the purchased securities. The Foundation therefore paid a premium to acquire these investments, the impact of which results in the Foundation effectively earning interest at the rate in effect at the time of purchase if they are held to maturity.

Equity investments are comprised of publicly traded and highly liquid preferred shares, common shares and exchange traded funds.

The mutual funds are comprised of two types of funds. The first type is an interest bearing savings account. The second type are units in several equity pooled funds.

Should cash be required for operating purposes, a significant portion of the Foundation's investments can be readily liquidated if necessary.

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

3. Capital Disclosures

The Foundation's capital is comprised of its Endowment, Restricted, Other Restrictions and unrestricted General Fund balances. As at December 31, 2015, these fund balances totaled \$5,841,113 (2014 - \$5,831,788) as presented in the Foundation's Balance Sheet and Statement of Changes in Fund Balances. The Endowment, Restricted and Other Restrictions Funds are subject to internally and externally imposed restrictions. The Endowment Fund capital balance is to be held permanently and the Endowment Fund undistributed income balance, if any, is available for contributions to be made in accordance with the terms of the specific endowments. Further details with respect to the Restricted Fund and the Other Restrictions Fund balances are set out in Notes 4 and 5 to these financial statements, respectively.

The composition of the Foundation's Fund Balances is as follows:

	2015	2014
Endowment Fund		
Fund capital	\$ 4,926,766	\$ 4,926,766
Undistributed income	-	164,082
	<u>4,926,766</u>	<u>5,090,848</u>
Restricted Fund		
Fund capital (Note 4)	306,532	306,532
Undistributed income	-	-
	<u>306,532</u>	<u>306,532</u>
Other Restrictions Fund		
Fund capital	-	-
Undistributed income (Note 5)	93,320	77,300
	<u>93,320</u>	<u>77,300</u>
General Fund		
Fund capital	-	-
Undistributed income	514,495	357,108
	<u>514,495</u>	<u>357,108</u>
Total Funds	<u>\$ 5,841,113</u>	<u>\$ 5,831,788</u>
Comprised of:		
Funds capital	\$ 5,233,298	\$ 5,233,298
Undistributed income	607,815	598,490
	<u>\$ 5,841,113</u>	<u>\$ 5,831,788</u>

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

3. Capital Disclosures (continued)

The Foundation's objectives when managing its capital are to maintain its ability to:

- Have sufficient funds available on a yearly basis in order to promote the objective of the Foundation, which is to assist in providing long-term financial support to the Metropolitan Andrey Sheptytsky Institute of Eastern Christian Studies;
- Have sufficient funds available on an annual basis, if needed, to help meet its disbursement quota requirement as determined by the Canada Revenue Agency;
- Generating predictable cash flows for continuing operations; and
- Having funds available for unexpected increases in expenses or decreases in revenue.

Further, the Foundation's investment risk management policies, as set out in Note 7 to these financial statements, have been established to assist the Foundation in meeting the objectives set out above by ensuring the risk related to the Foundation's capital invested in financial markets is managed and the Foundation has sufficient liquidity.

4. Restricted Fund Balance

Restricted funds are subject to restrictions imposed by the respective donors stipulating that the resources be maintained for a period of at least ten and in some cases twenty years. The investment income realized thereon can be used in the charitable activities of the Foundation. The funds become available after the ten or twenty years, or may remain in the Restricted Fund as decided by the Foundation's Board of Directors.

As at December 31, 2015, \$234,650 (2014 - \$196,550) of these agreements have exceeded their restriction period. These amounts continue to be included in the Restricted Fund balance in the Balance Sheet since the Foundation's Board of Directors has not decided otherwise.

5. Other Restrictions Fund Balance

The Other Restrictions Fund balance contains donations subject to restrictions imposed by donors stipulating that the resources be used for a specific purpose that has not yet been met by the Foundation. The balance of the Other Restrictions Fund as at December 31, 2015 is \$93,320 (2014 - \$77,300).

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

6. Agreements and Understandings with Saint Paul University

The Foundation is a party to agreements and understandings with Saint Paul University (the "University") as follows:

- The Foundation is a party to an agreement with the University. On June 18, 2015 the University issued a notice to terminate the agreement effective June 18, 2018. Through donations, the Foundation provided partial funding of programs initiated by the Metropolitan Andrey Sheptytsky Institute of Eastern Christian Studies ("MASI") at the University. This funding is reflected in the Foundation's Statement of Operations as contributions to Saint Paul University. Contributions to Saint Paul University are recognized in the financial statements when they have been initiated and approved for payment by the Foundation. Therefore, pledges of contributions are not recognized in the financial statements until they have been initiated and approved for payment by the Foundation. Administration and facility costs incurred by the University for the operations of MASI are borne by the University. In addition, the University provides certain administration and facilities related to the operations of the Foundation at no charge to the Foundation.

With respect to this agreement, the University has made requests to the Foundation for additional contributions (donations) to assist the University with expenses related to MASI. These requests continue to be under consideration by the Foundation and like pledges would be recognized in the financial statements when they have been initiated and approved for payment by the Foundation.

- Under a Memorandum of Understanding between the University and the Foundation, the University holds and administers a scholarship/bursary fund for residents of Ontario studying at MASI. In certain prior years, the Foundation made contributions to the fund that were matched by the Government of Ontario and invested by the University. Should MASI be relocated for any reason to another approved Ontario post-secondary educational institution that is authorized to hold and administer the fund, the fund is to be transferred to that institution. Should the relocation be outside the Province of Ontario, the University and the Foundation will need to amicably and equitably address the matter.
- Under another Memorandum of Understanding between the University and the Foundation, the University holds certain library acquisitions/collections as well as certain equipment as part of MASI. These assets were either donated to the Foundation and transferred to the University or acquired with financial contributions from the Foundation for MASI. When the University and the Foundation sever their relationship, the Foundation would determine whether these assets would remain at the University or be transferred to another location, the transfer cost of which would be borne by the Foundation.

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

7. Financial Instruments Risks and Concentrations

The Foundation is exposed to various risks through its financial instruments and more specifically its investments. The following analysis provides a measure of the Foundation's financial instruments risk exposures and concentrations as at December 31, 2015.

Investment risk management

The Foundation is exposed to financial risks as a result of its investment activities. The Foundation has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of the Foundation are designed to avoid undue risk of loss and impairment of assets (the preservation of capital) and to provide a reasonable expectation of fair return given the nature of the investments. The Foundation manages its investment portfolio to achieve long-term growth and the ability to earn a consistent level of annual income. Further, the Foundation is mindful of its liquidity requirements to meet its charitable giving goals and maintain its operations. To achieve its investment goals, the Foundation's investment policy includes minimum, target and maximum proportions of the total value of its investments among the broad asset categories of cash and cash equivalents and fixed income, real estate, equities and commodities/managed futures.

The Foundation's Board of Directors' Finance Committee reviews the investment returns, as well as the investment parameters and secures professional investment advisory services as required. The maximum investment risk to the Foundation is represented by the carrying value of its investments as set out in Note 2 to these financial statements as well as its cash balances set out in Note 1 to these financial statements.

In addition the Foundation is mindful of its liquidity requirements in the normal course of its operations. A substantial part of the Foundation's investment portfolio have been placed in securities which can be readily sold if necessary.

Investment risk

Investments in financial instruments render the Foundation subject to investment risk. These include the risk arising from changes in interest rates, in rates of exchange for foreign currency, and in financial markets both domestic and foreign. They also include the risks arising from the failure of a party to a financial instrument to discharge an obligation when it is due.

Concentration risk

Concentration risk exists when a significant proportion of the portfolio is invested in securities with similar characteristics or subject to similar economic, political or other conditions. Management believes that the concentrations in the Foundation's investment portfolio does not represent excessive risk.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities and its future expenses and plans. The Foundation is exposed to this risk mainly in respect of its accounts payable and accrued liabilities, and its ability to make contributions to Saint Paul University as set out in Note 6 to these financial statements.

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

7. Financial Instruments Risks and Concentrations (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's credit risk relates to its government remittances receivable in addition to its cash balances set out in Note 1 to these financial statements and its non-equity investments set out in Note 2 to these financial statements. However management does not believe this to represent excessive risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. The Foundation is exposed to these risks.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from the Foundation's holdings of non-Canadian cash and investments. The Foundation's investments subject to foreign currency risk are as set out in Note 2 to these financial statements. In addition the Foundation holds foreign currency cash as set out in Note 1 to these financial statements. These foreign currency risks are not significant relative to the Foundation's total assets.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Given the current composition of the Foundation's investments includes fixed-rate instruments, as set out in Note 2 to these financial statements, the Foundation is subject to a fair value risk. The Foundation also holds variable or floating-rate financial instruments, as set out in Notes 1 and 2 to these financial statements, which would subject the Foundation to a cash flow risk.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk on its equity and equity pooled fund investments set out in Note 2 to these financial statements.

Changes in risk

There have been no significant changes in the Foundation's risk exposures from its 2014 fiscal year other than the acquisition of equity pooled funds.

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2015

8. **Commitments and Subsequent Events**

Saint Paul University

The Foundation has commitments to Saint Paul University as set out in Note 6 to these financial statements.

Subsequent to December 31, 2015 and to the date of the preparation of these financial statements, the Foundation contributed \$150,000 by way of donation to Saint Paul University.

Investment Management

Effective December 31, 2015 the Foundation entered into a Managed Fund Agreement with another registered charitable organization for a portion of the Foundation's investments. The investment policies of this other registered charitable organization do not differ significantly from the Foundation's investment policies set out in Note 7 to these financial statements. As at December 31, 2015 no funds have been placed with this other registered charitable organization.

9. **Contingent Liability**

Pursuant to a 1993 Agreement between the Foundation and Saint Paul University (the "University"), all of the Foundation's advances to the University for the purposes of supporting the Metropolitan Andrey Sheptytsky Institute of Eastern Christian Studies ("MASI") have been made by way of donation. The University informed the Foundation that under its interpretation of the Agreement, the Foundation may be responsible for a portion of the University's previous administration costs, as they relate to MASI. The Foundation disputes this interpretation, and believes that there is no outstanding obligation to the University. Based on the state of the matter, no amount has been accrued in these financial statements as it is management's opinion there is no obligation.

10. **Corresponding Amounts and Disclosures**

In certain limited instances the 2014 fiscal year corresponding amounts, disclosures and financial information presented in these financial statements have been reclassified to conform to the financial statement presentation and disclosures adopted for the 2015 fiscal year. The most significant reclassification was in the Statement of Cash Flows whereby all purchase and sale activity related to the investment portfolio is now presented on a net change basis in cash flows from (used in) investing activities to be consistent with the attributes of the portfolio being that purchases and sales of investments in the portfolio are frequent. Previously purchases and sales were segregated and separately presented as part of the cash flows from (used in) investing activities. The new presentation is considered more meaningful and reflective of the Foundation's investing activities.
