



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, 2016



**Metropolitan Andrey Sheptytsky
Institute Foundation
Financial Statements**
For the year ended December 31, 2016

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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, 2016, 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, 2016, 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
May 30, 2017
Ottawa, Ontario

Metropolitan Andrey Sheptytsky Institute Foundation

Balance Sheet

December 31	2016	2015
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Assets

Cash (Note 1)	\$ 609,713	\$ 997,764
Investments (Note 2)	5,396,435	4,855,730
Government remittances receivable	4,349	3,187
	\$ 6,010,497	\$ 5,856,681

Liabilities and Fund Balances

Liabilities

Accounts payable and accrued liabilities	\$ 27,704	\$ 15,568
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Fund balances (Note 3)

Endowment Fund	5,031,954	4,926,766
Restricted Fund (Note 4)	306,532	306,532
Other Restrictions Fund (Note 5)	49,285	93,320
General Fund	595,022	514,495
	5,982,793	5,841,113
	\$ 6,010,497	\$ 5,856,681

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, 2016

	Endowment Fund	Restricted Fund	Other Restrictions Fund	General Fund	Total
Fund balances, beginning of year (Note 3)	\$4,926,766	\$ 306,532	\$ 93,320	\$ 514,495	\$5,841,113
Excess (deficiency) of revenue over expenses for the year	105,188	-	(44,035)	80,527	141,680
Fund balances, end of year (Note 3)	\$5,031,954	\$ 306,532	\$ 49,285	\$ 595,022	\$5,982,793

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

Metropolitan Andrey Sheptytsky Institute Foundation Statement of Operations

For the year ended December 31, 2016

	Endowment Fund	Restricted Fund	Other Restrictions Fund	General Fund	Total
Revenue					
Donations and fundraising activities	\$ -	\$ -	\$ 48,465	\$ 211,950	\$ 260,415
Investment income	366,796	22,821	-	52,137	441,754
Total revenue	366,796	22,821	48,465	264,087	702,169
Expenses					
Administrative assistance	-	-	-	19,185	19,185
Contributions to Saint Paul University (Notes 6 and 9)	261,608	22,821	73,500	80,298	438,227
Fundraising events	-	-	-	24,362	24,362
Insurance	-	-	-	1,997	1,997
Other administration and services	-	-	-	13,685	13,685
Professional fees - accounting, audit, tax and legal	-	-	-	38,051	38,051
Professional fees - investment management and advisor	-	-	-	3,756	3,756
Sponsorship of seminar	-	-	19,000	-	19,000
Travel and meetings	-	-	-	2,226	2,226
Total expenses	261,608	22,821	92,500	183,560	560,489
Excess (deficiency) of revenue over expenses for the year	\$ 105,188	\$ -	\$ (44,035)	\$ 80,527	\$ 141,680

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) assistance	-	-	-	(8,333)	(8,333)
Contributions to Saint Paul University (Notes 6 and 9)	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 and services	-	-	-	5,805	5,805
Professional fees - accounting, audit, tax and legal	-	-	-	24,426	24,426
Professional fees - investment management and 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

Metropolitan Andrey Sheptytsky Institute Foundation

Statement of Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used in) operating activities		
Excess of revenue over expenses for the year - all funds	\$ 141,680	\$ 9,325
Adjustments for		
Decrease in accrued interest on investments carried at amortized cost (Note 2)	527	12,735
Net unrealized (gain) loss on investments carried at fair value (Note 2)	(278,312)	109,146
	(136,105)	131,206
Changes in non-cash working capital items		
Government remittances receivable	(1,162)	3,911
Accounts payable and accrued liabilities	12,136	468
	(125,131)	135,585
Cash provided by (used in) investing activities		
Net (purchases) disposals of investments and reinvested realized investment income (Note 2)	(262,920)	476,248
Net increase (decrease) in cash for the year	(388,051)	611,833
Cash, beginning of year	997,764	385,931
Cash, end of year	\$ 609,713	\$ 997,764

Metropolitan Andrey Sheptytsky Institute Foundation Summary of Significant Accounting Policies

December 31, 2016

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, 2016 and 2015 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, which as at December 31, 2016 and 2015 was located at Saint Paul University in Ottawa, Canada. (See also Notes 6 and 7 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, 2016

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. In addition, the Foundation's investment in an investment pool held and administered by another organization is similar to an investment in a mutual fund and so is measured at the Foundation's prorata share of the fair value of the entire investment pool as provided by the other organization. This fair value would be based on the amortized cost and/or fair value of the underlying securities of the pool. Changes in fair value are recognized in operations as part of the Foundation's investment income.

Financial assets measured at amortized cost include cash and certain investments. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. There are no financial liabilities measured at fair value.

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.

Metropolitan Andrey Sheptytsky Institute Foundation

Summary of Significant Accounting Policies

December 31, 2016

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.

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. 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 initially classified as ten or twenty year gifts for Income Tax purposes, and any applicable unexpended restricted investment income. (See also Note 4 to these financial statements.)

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 the respective 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.

Metropolitan Andrey Sheptytsky Institute Foundation

Summary of Significant Accounting Policies

December 31, 2016

**Contributions to
Saint Paul
University and Others**

Contributions (donations) to Saint Paul University and others 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.

**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, 2016 and 2015 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, 2016

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, 2016 the Foundation's cash held includes \$126,735 Canadian denominated in U.S. dollars (2015 - \$38,134 Canadian denominated in U.S. dollars).

2. Investments

	2016	2015
Variable rate demand deposits in financial institutions, carried at amortized cost	\$ 81,541	\$ 82,577
Fixed income investments - redeemable and non-redeemable		
Carried at amortized cost	1,125,262	1,265,580
Carried at fair value	303,324	491,020
Equity investments, carried at fair value		
Units in various Canadian funds, common units and/or shares	2,042,427	1,742,827
Units in various Canadian funds, preferred units	59,709	62,973
Units in foreign funds, common units and/or shares	734,348	580,847
Canadian common shares	261,685	294,143
Mutual funds, carried at fair value		
Interest bearing savings account	125,482	221,143
Equity pooled funds	-	114,620
Other pooled funds, carried at fair value	662,657	-
Total investments	\$ 5,396,435	\$ 4,855,730

A continuity of the carrying value of investments follows.

	2016	2015
Balance, beginning of year	\$ 4,855,730	\$ 5,453,859
Net purchases (disposals) including reinvested realized investment income	262,920	(476,248)
Increase (decrease) in accrued interest for the year related to investments carried at amortized cost	(527)	(12,735)
Fair value increases (decreases) - change in quoted values for the year related to investments carried at fair value	278,312	(109,146)
Balance, end of year	\$ 5,396,435	\$ 4,855,730

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2016

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 \$78,023 Canadian denominated in U.S. dollars (2015 - \$78,786 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 2.600% to 3.150% (2015 - 2.300% to 3.150%) on their face values totaling \$1,111,796 (2015 - \$1,251,588) with maturity dates of 2017 to 2019 (2015 - maturity dates of 2016 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 3.350% (2015 - stated interest rates of 1.700% to 4.300%) with a total face value of \$290,000 (2015 - \$465,000) with maturity dates of 2017 to 2022 (2015 - 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 differ from 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 different than the stated interest rates of the purchased securities. The Foundation therefore paid a premium or received a discount 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 one type of fund (2015 - two types of funds) which for 2016 was an interest bearing savings account and for 2015 included a second type of fund which was comprised of units in several equity pooled funds.

The following describes the Foundation's other pooled funds. During the year ended December 31, 2016 the Foundation entered into a Managed Fund Agreement with another registered charitable organization for a portion of the Foundation's investments. During May and June 2016 the Foundation placed a total of \$500,000 in this managed fund and \$130,000 was placed in December 2016 for a total of \$630,000. The investment policies of this other registered charitable organization do not differ significantly from the Foundation's investment policies set out in Note 8 to these financial statements. Based on information provided by this other registered charitable organization the Foundation's other pooled funds as at December 31, 2016 are measured at fair value and are comprised of the following types of investments on a percentage basis.

	%
Cash, term deposits and accrued interest	2.60
Canadian securities	8.70
Foreign securities	0.25
Canadian mutual funds	<u>88.45</u>
	<u>100.00</u>

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2016

2. Investments (continued)

The Foundation's percentage interest in the entire investment portfolio held by the other registered charitable organization is approximately 1.65%. For the year ended December 31, 2016 the Foundation earned an approximate 9% annualized rate of return.

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

3. Capital Disclosures

The Foundation's capital is comprised of its Endowment, Restricted, Other Restrictions and unrestricted General Fund balances. As at December 31, 2016, these fund balances totaled \$5,982,793 (2015 - \$5,841,113) 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:

	2016	2015
Endowment Fund		
Fund capital	\$ 4,926,766	\$ 4,926,766
Undistributed income	105,188	-
	<u>5,031,954</u>	<u>4,926,766</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)	49,285	93,320
	<u>49,285</u>	<u>93,320</u>
General Fund		
Fund capital	-	-
Undistributed income	595,022	514,495
	<u>595,022</u>	<u>514,495</u>
Total Fund Balances	<u><u>\$ 5,982,793</u></u>	<u><u>\$ 5,841,113</u></u>

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2016

3. Capital Disclosures (continued)

	2016	2015
Total Fund Balances are comprised of:		
Funds capital	\$ 5,233,298	\$ 5,233,298
Undistributed income	749,495	607,815
	\$ 5,982,793	\$ 5,841,113

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 8 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, 2016, \$248,644 (2015 - \$234,650) 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, 2016 is \$49,285 (2015 - \$93,320).

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2016

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. Since MASI will be relocated to another approved Ontario post-secondary educational institution that is authorized to hold and administer the fund, University of St. Michael's College ("USMC"), the Foundation intends to transfer this fund to USMC. (See Note 7 to these financial statements.)
 - 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 on June 30, 2017, the Foundation will transfer the library acquisitions/collections from the University to USMC, the transfer cost of which would be borne by the USMC. (See Note 7 to these financial statements.)
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Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2016

7. Agreement and Understanding with University of St. Michael's College

The Foundation is a party to an agreement and an understanding with University of St. Michael's College ("USMC") as follows:

- Under a Memorandum of Agreement between USMC and the Foundation dated September 28, 2016, effective July 1, 2017, USMC will create a new autonomous academic unit within the USMC's Faculty of Theology, MASI. The Foundation shall provide funds on an annual basis to USMC according to the terms set out and in order to support its operations. The funds owing to USMC will be based upon a budget which shall be developed annually by MASI and mutually agreed upon by USMC and the Foundation no later than January 15 prior to the beginning of the academic year. The required monies shall be paid in two instalments on July 1 and November 1. Notice for the instalments shall be communicated no later than April 1 and October 1.

USMC will provide \$15,000 to MASI assist with the transfer of MASI's library collection from St. Paul University to USMC.

- The Foundation and USMC intend to negotiate an agreement with respect to the Ontario Student Opportunity Trust Funds ("OSTOF"). (See Note 6 to these financial statements.)

8. 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, 2016.

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.

Metropolitan Andrey Sheptytsky Institute Foundation

Notes to Financial Statements

December 31, 2016

8. Financial Instruments Risks and Concentrations (continued)

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. Substantial parts 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 as set out in Notes 6 and 7 to these financial statements.

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

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Notes to Financial Statements

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8. Financial Instruments Risks and Concentrations (continued)

Currency risk (continued)

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 2015 fiscal year other than possibly the acquisition of other pooled funds set out in Note 2 to these financial statements.

9. 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, 2016 and to the date of the preparation of these financial statements, the Foundation contributed \$150,000 by way of donation to Saint Paul University.

University of St. Michael's College

The Foundation has entered into a memorandum of agreement with the University of St. Michael's College ("USMC") to provide donation funding for the operations of the Metropolitan Andrey Sheptytsky Institute of Eastern Christian Studies ("MASI") which will operate at USMC effective July 1, 2017 as set out in Note 7 to these financial statements.

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10. 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") while located at the University 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 while located at the University. 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.

11. Corresponding Amounts and Disclosures

In certain limited instances the 2015 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 2016 fiscal year.
