

**Community Foundation Grey Bruce
Financial Statements
For the year ended December 31, 2018**

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Financial Statements
For the year ended December 31, 2018

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Balance Sheet	4
Statement of Operations and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 13
Schedule 1 - Administrative Expenses	14



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Independent Auditor's Report

To the Members of
Community Foundation Grey Bruce

Qualified Opinion

We have audited the financial statements of Community Foundation Grey Bruce, which comprise the balance sheet as at December 31, 2018, the statements of operations and changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of Community Foundation Grey Bruce as at December 31, 2018, and its results of operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Community Foundation Grey Bruce derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Community Foundation Grey Bruce. Therefore, we were not able to determine whether any adjustments might be necessary to donation revenue, excess of revenues over expenses, and cash flows from operations for the years ended December 31, 2018 and 2017, current assets as at December 31, 2018 and 2017, and net assets as at January 1 and December 31 for both the 2018 and 2017 years. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation in scope.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Community Foundation Grey Bruce's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Community Foundation Grey Bruce or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Community Foundation Grey Bruce's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Foundation Grey Bruce's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Community Foundation Grey Bruce's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Community Foundation Grey Bruce to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Chartered Professional Accountants, Licensed Public Accountants

Owen Sound, Ontario
May 28, 2019

**Community Foundation Grey Bruce
Balance Sheet**

December 31 **2018** **2017**

Assets

Current

Cash	\$ 126,463	\$ 95,575
Investments (Note 2)	15,205,892	16,034,053
Cash surrender value of life insurance (Note 3)	7,820	11,772
Accounts receivable (Note 4)	18,812	15,615
Prepaid expenses	1,378	1,243
	\$ 15,360,365	\$ 16,158,258

Liabilities and Fund Balances

Current

Accounts payable (Note 5)	\$ 10,186	\$ 8,693
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Fund balances

Externally restricted (Note 6)		
Endowments	14,737,684	14,057,931
Donor restricted	377,894	1,695,604
Operating	234,601	396,030
	15,350,179	16,149,565
	\$ 15,360,365	\$ 16,158,258

Approved on behalf of the Board:

_____ Director

_____ Director

Community Foundation Grey Bruce
Statement of Operations and Changes in Fund Balances

For the year ended December 31

	Operating Fund		Restricted Fund		Endowment Fund		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues								
Donations and event revenue	\$ 29,750	\$ 23,988	\$ 68,165	\$ 91,674	\$ 678,161	\$ 419,957	\$ 776,076	\$ 535,619
Investment income (loss) (Note 7)	(38,631)	103,171	(431,455)	1,012,449	-	-	(470,086)	1,115,620
	(8,881)	127,159	(363,290)	1,104,123	678,161	419,957	305,990	1,651,239
Expenses								
Administrative expenses (Schedule 1)	374,118	354,384	-	-	-	-	374,118	354,384
Insurance premium	-	-	3,952	1,446	-	-	3,952	1,446
Grants (Note 8)	-	-	727,306	635,050	-	-	727,306	635,050
	374,118	354,384	731,258	636,496	-	-	1,105,376	990,880
Excess (deficiency) of revenues over expenses before transfers	(382,999)	(227,225)	(1,094,548)	467,627	678,161	419,957	(799,386)	660,359
Interfund transfers (Note 9)	221,570	215,415	(223,162)	(210,452)	1,592	(4,963)	-	-
Excess (deficiency) of revenues over expenses for the year	(161,429)	(11,810)	(1,317,710)	257,175	679,753	414,994	(799,386)	660,359
Fund balances, beginning of year	396,030	407,840	1,695,604	1,438,429	14,057,931	13,642,937	16,149,565	15,489,206
Fund balances, end of year	\$ 234,601	\$ 396,030	\$ 377,894	\$ 1,695,604	\$14,737,684	\$14,057,931	\$15,350,179	\$16,149,565

Community Foundation Grey Bruce
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash flows from (used in)		
Operating activities		
Excess (deficiency) of revenue over expenses for the year	\$ (799,386)	\$ 660,359
Items not involving cash		
Change in unrealized gain on investments	1,247,466	(656,300)
Donation of securities	(42,290)	(127,052)
	<u>405,790</u>	<u>(122,993)</u>
Changes in non-cash working capital balances		
Accounts receivable	(3,197)	(3,787)
Prepaid expenses	(135)	-
Accounts payable	1,493	(7,550)
	<u>403,951</u>	<u>(134,330)</u>
Investing activities		
(Increase) decrease in investments	(377,015)	111,140
Change in cash surrender value of life insurance	3,952	1,446
	<u>(373,063)</u>	<u>112,586</u>
Increase (decrease) in cash during the year	30,888	(21,744)
Cash position, beginning of the year	95,575	117,319
Cash position, end of the year	\$ 126,463	\$ 95,575

The accompanying notes are an integral part of these financial statements.

Community Foundation Grey Bruce Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies

Nature and Purpose of Organization

Community Foundation Grey Bruce is incorporated without share capital by letters patent under the laws of the Canada Corporations Act. The Community Foundation Grey Bruce is involved in raising and disbursing funds to not-for-profit organizations, charities, and educational and cultural organizations in Grey and Bruce Counties.

The Community Foundation Grey Bruce is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Fund Accounting

The Community Foundation Grey Bruce follows the restricted fund method of accounting for contributions.

The Operating Fund reports resources available for the Foundation's program delivery and administrative activities. The use of these funds is at the discretion of the Foundation's Board of Directors.

The Restricted Fund reports resources available for grant making purposes specified by the donor or endowment funder.

The Endowment Fund reports resources contributed for endowment that are not to be expended by the Foundation.

Community Foundation Grey Bruce Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies - (continued)

Revenue Recognition

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount can be reasonably estimated and collection is reasonably assured. Grant revenue is recorded in the period in which the related eligible expenses are incurred. Where a portion of a grant relates to a future period, it is deferred and recognized in a subsequent period.

Restricted contributions are recognized as revenue of the appropriate restricted fund when received.

Contributions for endowment are recognized as revenue in the Endowment Fund when received.

Investment income includes dividends, interest, realized gains (losses) and the net change in unrealized gains (losses) for the year, less investment counsel fees.

Investment income earned on resources of the Endowment Fund is reported in the Operating or Restricted Fund depending on the nature of any restrictions imposed by the contributors of the endowment. An allocation of interest, determined annually by the Board of Directors, is reported as an interfund transfer to the Endowment Fund to preserve the purchasing power of the capital. No allocation was made in 2018 or 2017.

Investment income earned on restricted funds is reported as revenue of the appropriate restricted fund and unrestricted investment income is recognized in operating fund when earned.

Financial instruments

Financial instruments are recorded at fair value when acquired or issued.

In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses reported in operations. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each balance sheet date.

Community Foundation Grey Bruce Notes to Financial Statements

December 31, 2018

1. Summary of Significant Accounting Policies - (continued)

Financial Instruments	All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired.
Contributed Materials and Services	Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Due to the difficulty in determining fair value, contributed goods and services are not recognized in the financial statements.
Foreign Currency Translation	At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current year.

2. Investments

	<u>2018</u>		<u>2017</u>	
Fixed income				
Canadian	\$ 4,622,595	30 %	\$ 4,283,719	27 %
Foreign	-	-	148,895	1 %
Equities				
Canadian	3,991,783	26 %	4,282,393	27 %
Foreign	2,903,331	19 %	2,953,539	18 %
International pooled funds	2,832,850	17 %	3,324,488	21 %
	<u>14,350,559</u>	<u>95 %</u>	<u>14,993,034</u>	<u>94 %</u>
Cash and Cash equivalents				
Canadian	201,199	1 %	506,733	3 %
Foreign	654,134	4 %	534,286	3 %
	<u>\$15,205,892</u>	<u>100 %</u>	<u>\$ 16,034,053</u>	<u>100 %</u>

Community Foundation Grey Bruce Notes to Financial Statements

December 31, 2018

2. Investments - (continued)

Cash equivalents include \$320 (2017 - \$360,385) in Canadian and \$640,477 (2017 - \$514,758) in US\$ money market units.

Investments are held for safekeeping at authorized depositories, such as the Canadian Depository for Securities. Investments are made in accordance with the Foundation's investment policy as approved by the Board. The primary objective in investing the assets of the Community Foundation Grey Bruce is income generation through fixed income and dividends and the preservation and enhancement of the value of the capital through prudent diversification of high quality investments, currencies and asset classes.

The Foundation's investments are exposed to the following risks;

Market Risk

Market Risk is the risk that the value of the investments will fluctuate as a result of changes in market price. The Foundation is exposed to market risk on its investments in equities and pooled investments. The investments of the Foundation are subject to normal market fluctuations and to the risk inherent in investment in capital markets.

Interest Rate Risk

Interest Rate Risk is the risk that the value of the investments will fluctuate as a result of changes in market interest rates. Interest rate risk arises when the Foundation invests in interest-bearing financial instruments and, therefore, the Foundation is exposed to interest rate risk on its notes and bonds.

Currency Risk

Currency Risk is the risk that the value of the investments will fluctuate as a result of fluctuations in foreign exchange rates. The Foundation is exposed to currency risk on its foreign equities, pooled funds and cash as they are converted into Canadian dollars at the rate of exchange prevailing on December 31st to determine fair value.

The objective of the Foundation's investment policy is to control these risks with a balanced approach, with a diversified mix of equities and fixed income securities and cash. The Foundation's investments are measured against a benchmark consisting of relative weightings of S&P/TSX Composite Index, S&P 500 Index, Morgan Stanley EAFE Index, Morgan Stanley World Index and Dex Universe Bond Index.

Community Foundation Grey Bruce Notes to Financial Statements

December 31, 2018

3. Interest in Life Insurance Policies

The Community Foundation Grey Bruce is the assignee and owner of a life insurance policy totalling approximately \$185,000. The cash surrender value of \$7,820 relating to this policy has been recorded as an asset in these financial statements.

4. Accounts Receivable

There were no impairment allowances included in accounts receivable. The Foundation is exposed to credit risk arising from their accounts receivable.

5. Accounts Payable

There were no government remittances included in accounts payable. The Foundation is exposed to liquidity risk arising from its accounts payable.

6. Externally Restricted Net Assets

	2018	2017
Endowments		
Community Funds	\$ 778,087	\$ 420,984
Designated Funds	1,524,734	1,498,815
Smart and Caring	1,390,394	1,373,755
Field of Interest	461,056	461,056
Designated - Agency Fund	1,014,992	917,890
Donor Advised	8,586,265	8,404,696
Designated - Foundation Operations	982,156	980,735
	\$14,737,684	\$ 14,057,931
Donor Restricted Undistributed Fund Balance		
Endowment fund earnings undistributed	\$ 333,673	\$ 1,636,815
Flow Through Funds		
Institute of Southern Georgian Bay	950	-
Cheetam	713	-
Owen Sound Artists' Coop	95	-
Wes for Youth	1	32,386
Leith Summer Fest	42,462	26,250
Owen Sound Community Fund	-	153
	\$ 377,894	\$ 1,695,604

Community Foundation Grey Bruce
Notes to Financial Statements

December 31, 2018

7. Investment Income

Investment income net of investment counsel fees is reported as follows:

	<u>2018</u>	<u>2017</u>
Dividends and interest	\$ 657,909	\$ 519,073
Realized gain	202,754	21,966
Change in unrealized gain (loss)	(1,247,466)	656,300
Investment council fees	<u>(83,283)</u>	<u>(81,719)</u>
Total investment income (loss) on endowment resources recognized as revenue in the year	<u>\$ (470,086)</u>	<u>\$ 1,115,620</u>

Net investment income (loss) earned on endowment funds is reported as follows:

Operating	\$ (38,631)	\$ 103,171
Restricted	(313,604)	996,745
Restricted - not available for distribution (see below)	<u>(117,851)</u>	<u>15,704</u>
Total investment income (loss) on endowment resources recognized as revenue in the year	<u>\$ (470,086)</u>	<u>\$ 1,115,620</u>

Restricted Income: Income relates to that earned in the Regular Pool and the Dividend Pool. The Dividend pool does not pay out any unrealized amounts. This represents \$(117,851) (2017 - \$15,704) in respect of the income earned in the year.

8. Grants

	<u>2018</u>	<u>2017</u>
Related to endowments	\$ 646,222	\$ 571,998
Related to flow through funds	<u>81,084</u>	<u>63,052</u>
	<u>\$ 727,306</u>	<u>\$ 635,050</u>

Community Foundation Grey Bruce
Notes to Financial Statements

December 31, 2018

9. Interfund Transfers

	2018	2017
Transfers to (from) Operating Fund		
Annual administration fee of 1.5% of the market value of the endowments and 5% of receipts for flow through funds	\$ 221,570	\$ 215,415
Transfers to (from) Restricted Fund		
Contribution received for grants from endowments	\$ -	\$ 44,444
Annual administration fee of 1.5% of the market value of the endowments and 5% of receipts for flow through funds	(221,570)	(215,415)
Transfer from restricted funds to establish endowments	(1,592)	(39,481)
	\$ (223,162)	\$ (210,452)
Transfers to (from) Endowment Fund		
Transfer from restricted funds to establish endowments	\$ 1,592	\$ 39,481
Contribution to restricted funds for grants	-	(44,444)
	\$ 1,592	\$ (4,963)

10. Charitable Remainder Trust

The Community Foundation Grey Bruce is a residual capital beneficiary of the Jessie Calder Charitable Remainder Trust. Upon the death of the last income beneficiary, the Foundation will receive 2/3 of the capital that remains in the trust. The Foundation received funds in 2018 and expects to receive the remainder of the capital in 2019 when the Trust has been wound up.

Community Foundation Grey Bruce
Schedule 1 - Administrative Expenses

For the year ended December 31	2018	2017
Bank charges	\$ 323	\$ 187
Conferences, training and workshops	5,076	6,858
Equipment and furnishings	-	1,929
Insurance	1,435	1,629
Meetings	2,329	9,018
Membership dues and subscriptions	4,652	4,299
Miscellaneous	311	185
Office expenses	9,267	8,282
Promotional material and events	13,776	19,205
Professional fees	10,136	7,492
Rent	18,709	18,709
Salaries and benefits	272,387	240,868
Software and website	11,475	21,881
Telephone and internet	3,668	3,588
Travel	6,042	3,824
Vital Signs	1,539	6,430
Thought Leadership event	12,993	-
	\$ 374,118	\$ 354,384

The Foundation's operating expenses involve asset development and activities related to grant making, leadership and philanthropic services. These activities are not necessarily related to the donations received in any one year and the asset development methodology used by the Foundation creates normal gift delays which may result in costs preceding the receipt of the gifts by several years. The ratio of total operating expenses to average total assets has been used to evaluate operating costs.

Total assets, beginning of the year	\$ 16,158,258	\$ 15,505,449
Total assets, end of the year	\$ 15,360,365	\$ 16,158,258
Average total assets	\$ 15,759,312	\$ 15,831,854
Administrative expenses	\$ 374,118	\$ 354,384
Administrative expenses as a percentage of total assets	2.37 %	2.24 %