

Sarnia Community Foundation
Financial Statements
For the year ended December 31, 2008

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For the year ended December 31, 2008

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Auditors' Report

To the Board of Directors of Sarnia Community Foundation

We have audited the statement of financial position of Sarnia Community Foundation as at December 31, 2008 and the statement of revenue and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Foundation's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from the general public in the form of donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the accounts of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenses, assets and fund balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donation revenue referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2008 and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
January 20, 2010

Sarnia Community Foundation Statement of Financial Position

December 31 **2008** **2007**

Assets

Cash	\$ 697,489	\$ 85,083
Investments (Note 1)	1,332,300	1,826,433
Prepaid expenses	598	448
Other	819	313
	\$ 2,031,206	\$ 1,912,277

Liabilities and Fund Balances

Current

Margin loan	\$ -	\$ 132,731
Accounts payable and accrued liabilities	186	435
	186	133,166

Fund Balances

Endowment (Note 2)	1,256,658	1,663,178
Restricted (Note 3)	764,998	97,398
Operating	9,364	18,535
	2,031,020	1,779,111
	\$ 2,031,206	\$ 1,912,277

On behalf of the Board:

_____ Director

_____ Director

**Sarnia Community Foundation
Statement of Revenue and Expenses and Changes in Fund Balances**

For the year ended December 31

	Endowment		Restricted		Operating		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
Revenue								
Donations	\$ 34,989	\$ 302,228	\$ 700,501	\$ 32,609	\$ 3,564	\$ 2,870	\$ 739,054	\$ 337,707
Investment income	750	916	30,628	31,361	29,855	27,688	61,233	59,965
Fund raising - net	-	-	-	-	17,233	-	17,233	-
Change in market value	(431,964)	(113,644)	30,051	20,471	-	-	(401,913)	(93,173)
	(396,225)	189,500	761,180	84,441	50,652	30,558	415,607	304,499
Life insurance premiums	10,295	9,908	-	-	-	-	10,295	9,908
Expenses	-	-	-	-	59,823	27,505	59,823	27,505
	10,295	9,908	-	-	59,823	27,505	70,118	37,413
Excess of revenue over expenses before grants and charitable activities	(406,520)	179,592	761,180	84,441	(9,171)	3,053	345,489	267,086
Grants and charitable activities expense (Note 3)	-	-	93,580	56,451	-	-	93,580	56,451
Excess of revenue over expenses for the year	(406,520)	179,592	667,600	27,990	(9,171)	3,053	251,909	210,635
Fund Balances, beginning of year	1,663,178	1,483,586	97,398	69,408	18,535	15,482	1,779,111	1,568,476
Fund Balances, end of year	\$ 1,256,658	\$ 1,663,178	\$ 764,998	\$ 97,398	\$ 9,364	\$ 18,535	\$ 2,031,020	\$ 1,779,111

Sarnia Community Foundation Summary of Significant Accounting Policies

December 31, 2008

Organization and Objectives

The Sarnia Community Foundation was incorporated on December 15, 1982 by a Special Act of the Ontario Legislature (City of Sarnia Objectives Foundation Act, 1982). The Foundation's name was changed by supplementary letters patent dated September 1, 1994 from The City of Sarnia Foundation to the Sarnia Community Foundation.

The Foundation is established to act as a fiduciary for those who wish to tangibly express the pride they feel for this area through donations, bequests and other gifts. The Foundation will make grants to charitable, educational, cultural and other projects and activities which will enhance the excellence and quality of life in the community.

The Foundation is a public foundation registered under the Income Tax Act (Canada) (the "Act") and, as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for the purpose for which they are provided. For financial reporting purposes, the accounts have been classified into the following funds:

Endowment Fund

The Endowment Fund comprises the resources that are required by the donor to be maintained by the Foundation on a permanent basis. The Board of Directors (the "Board") has a policy to transfer certain donations to the Endowment fund where there is no current intention of making the original donation available for grants.

Restricted Fund

The Restricted Fund comprises the resources that are to be used for specific purposes as specified by the donor or project funder.

Operating Fund

The Operating Fund comprises the unrestricted resources available for immediate purposes. The use of these funds is at the discretion of the Foundation's Board.

Sarnia Community Foundation Summary of Significant Accounting Policies

December 31, 2008

Revenue Recognition Donor-restricted contributions, where the donor has required the principal to be held in perpetuity, are recognized as revenue in the Endowment Fund. Other donor-restricted contributions are recognized as revenue in the Restricted Fund or the Operating Fund, depending on the nature of the restriction. Unrestricted contributions are recognized as revenue in the Operating Fund. Contributions are recognized as revenue when received.

Investment Income (loss) Investment income (loss) includes dividends, interest, realized gains (losses) and the net change in fair market value.

Investment income is recorded as follows:

Endowment Fund

- Income which the donor has stipulated be added to principal.

Restricted Fund

- Income earned on resources of Endowment fund available for granting purposes; and
- Income earned on the resources of the Restricted Fund.

Operating Fund

- Income earned on the resources of the Endowment and Restricted Funds available to cover operating expenses;
- Income earned on assets held in the Operating Fund; and
- Income earned on flow-through funds. Flow-through funds, which are included in the Restricted Fund, are contributions which are distributed within two fiscal years from the date of receipt by the Foundation as specified by the donors.

In any particular year, if there is an investment loss, the loss is funded by accumulated reinvested income or capital in the Endowment Fund. This amount is expected to be recovered by future net investment income.

Grants Grants are recorded when authorized for payment by the Foundation's Board.

Sarnia Community Foundation Summary of Significant Accounting Policies

December 31, 2008

**Contributed goods
and services**

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements

Capital Assets

Capital assets are expensed in the year of acquisition.

Financial Instruments

The Foundation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

All transactions related to financial instruments are recorded on a settlement date basis.

The Foundation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired.

Held-for-trading

This category is comprised of cash and investments. They are recorded in the balance sheet at fair value with changes in fair value recognized in the statement of revenue and expenses. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Loans and receivables

These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for the promise to repay on a specified date or dates, or on demand. They arise principally through the provision of goods and services to customers, but also incorporate other types of contractual monetary assets. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Other financial liabilities

Other financial liabilities includes all financial liabilities other than those classified as held-for-trading and comprises trade payables, other short-term monetary liabilities and bank borrowings. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method.

Sarnia Community Foundation Summary of Significant Accounting Policies

December 31, 2008

Capital Disclosure

The Foundation considers its capital to be its fund balances. The Foundation's objectives when managing its capital are to safeguard its ability to continue to provide charitable assistance to the community. Annual budgets are developed and monitored to ensure the Foundation's capital is maintained at an appropriate level.

New Accounting Pronouncements

Recent accounting pronouncements that have been issued by the Canadian Institute of Chartered Accountants (CICA) but are not yet effective, and have a potential implication for the Foundation are as follows:

Financial Instruments - Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments - Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. The Foundation is currently evaluating the impact of the adoption of these changes on the disclosure in and presentation of its financial statements.

Cash Flow Statements

Section 1540 was amended to include not-for-profit organizations within its scope. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009. The Foundation is currently assessing the impact of the new standard.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2008

1. Investments

	2008		
	Amortized cost	Unrealized gain (loss)	Fair value
Bonds	\$ 530,833	\$ 4,569	\$ 535,402
Preferred shares	374,782	(116,165)	258,617
Equities	617,892	(79,611)	538,281
Held for trading - investments	\$1,523,507	\$ (191,207)	\$ 1,332,300
	2007		
	Amortized cost	Unrealized gain (loss)	Fair value
Bonds	\$ 120,000	\$ 2,854	\$ 122,854
Preferred shares	374,782	(25,967)	348,815
Equities	686,104	168,705	854,809
Mutual funds	508,488	(8,533)	499,955
Held for trading - investments	\$ 1,689,374	\$ 137,059	\$ 1,826,433

The maturity profile of the bonds is as follows:

Within 1 year	Over 1 to 5 years	Over 5 years	Amortized Cost
\$ 60,000	\$ 236,257	\$ 234,576	\$ 530,833

The interest rates on the bonds is 4.50% for investments maturing within one year; between 3.75% to 5.88% for investments maturing after one year and before five years; and between 4.00% to 5.75% for investments maturing after five years.

Investments for the Endowment Fund and the Restricted Fund are pooled and investment income is allocated to funds based on annual market values.

The fair value of the investments is based on quoted market values.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2008

2. Endowment Funds

The endowment fund consists of the following:

	2008	2007
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 303,722	\$ 397,430
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	314,862	423,769
Donor Advised Funds		
Funds where grants are distributed to charitable organizations designated by donors at the time the fund is established or advised annually by donors	560,300	737,174
Funds where income has been designated for operations by the donor	77,774	104,805
	\$ 1,256,658	\$ 1,663,178

The Foundation has a policy to protect the real value of the endowments by limiting the amount of income made available for spending and requiring the reinvestment of income not made available. During the year, 4.50% (2007 - 4.50%) of the market value of fund balances was made available for granting purposes and recorded as revenue in the Restricted Fund. Further, an amount representing 1.50% (2007 - 1.50%) of the market value of fund balances was made available to cover operating expenses. This amount is recorded as revenue in the Operating Fund. In any particular year, should net investment income be insufficient to fund the amount to be made available for spending or the investment return is negative, the amount that is made available for spending is funded by the accumulated reinvested income in the Endowment Fund. However, for individual endowment funds without sufficient accumulated reinvested income, endowment capital is used in the current year. This amount is expected to be recovered by future net investment income.

During the year, \$30,628 (2007 - \$31,361) available for granting was included as investment income of the Restricted Fund and \$29,855 (2007 - \$27,688) available to cover operating expenses was included as investment income of the Operating Fund.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2008

3. Restricted Fund

The Restricted Fund balance consists of the following amounts available for restricted purposes:

	<u>2008</u>	<u>2007</u>
Flow-through funds	\$ 764,998	\$ 97,398

Grants and charitable activities expense was funded as follows:

Endowment Fund earnings available for granting	\$ 54,198	\$ 36,066
Flow-through funds	<u>39,382</u>	<u>20,385</u>
	<u>\$ 93,580</u>	<u>\$ 56,451</u>

4. Life Insurance

The Foundation has been designed as the beneficiary of life insurance policies. Premiums paid by the insured are recorded as donations and then recorded as disbursements. As at December 31, 2008, the estimated amounts of insurance in force for which the Foundation has been designated as beneficiary totals \$1,140,000 (2007 - \$1,140,000). These amounts are not recorded in the accompanying financial statements.

5. Commitment

The Foundation leases office space at an annual rental of \$4,572 payable in equal monthly installments of \$381. The Foundation also pays, as additional rent, their share of realty taxes, payable monthly. The lease expires October 31, 2012.

6. Statement of Cash Flows

A separate statement of cash flows has not been presented because cash flows from operating, investing and financing activities are readily apparent from the other financial statements.