

Sarnia Community Foundation
Financial Statements
For the year ended December 31, 2012

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Independent Auditor's Report

To the Board of Directors of Sarnia Community Foundation

We have audited the accompanying financial statements of Sarnia Community Foundation, which comprise the statement of financial position as at December 31, 2012, December 31, 2011 and January 1, 2011 the statement of revenue and expenses and changes in fund balances and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and fund raising activities, 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 (deficiency) of revenue over expenses, assets and fund balances.

Opinion

In our opinion, except for the possible 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 Sarnia Community Foundation as at December 31, 2012, December 31, 2011 and January 1, 2011 and the results of its operations and changes in fund balances for the years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

Sarnia, Ontario
September 8, 2014

Sarnia Community Foundation Statement of Financial Position

	December 31 2012	December 31 2011	January 1 2011
Assets			
Current			
Cash	\$ 77,885	\$ 137,550	\$ 64,141
Accounts receivable	4,970	4,900	1,532
Prepaid expenses	1,006	598	598
	83,861	143,048	66,271
Long-term			
Investments (Note 3)	2,096,857	1,800,618	1,780,167
	\$ 2,180,718	\$ 1,943,666	\$ 1,846,438

Liabilities and Fund Balances

Current			
Accounts payable and accrued liabilities	\$ 1,180	\$ 681	\$ 968
Fund Balances			
Endowment (Note 4)	2,154,360	1,870,333	1,772,057
Restricted (Note 5)	50,314	72,036	73,413
Operating	(25,136)	616	-
	2,179,538	1,942,985	1,845,470
	\$ 2,180,718	\$ 1,943,666	\$ 1,846,438

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	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue								
Donations	\$ 213,255	\$ 234,479	\$ 161,397	\$ 222,761	\$ 2,478	\$ 1,808	\$ 377,130	\$ 459,048
Investment income	540	(8,057)	12,995	36,487	38,945	46,631	52,480	75,061
Fund raising - net (Note 8)	-	-	-	-	6,714	16,295	6,714	16,295
Change in market value	75,668	(122,710)	41,520	-	-	-	117,188	(122,710)
	289,463	103,712	215,912	259,248	48,137	64,734	553,512	427,694
Life insurance premiums	5,436	5,436	-	-	-	-	5,436	5,436
Expenses	-	-	-	-	73,889	66,040	73,889	66,040
	5,436	5,436	-	-	73,889	66,040	79,325	71,476
Excess of revenue over expenses before grants and charitable activities	284,027	98,276	215,912	259,248	(25,752)	(1,306)	474,187	356,218
Grants and charitable activities expense (Note 5)	-	-	237,634	260,625	-	(1,922)	237,634	258,703
Excess of revenue over expenses for the year	284,027	98,276	(21,722)	(1,377)	(25,752)	616	236,553	97,515
Fund Balances, beginning of year	1,870,333	1,772,057	72,036	73,413	616	-	1,942,985	1,845,470
Fund Balances, end of year	\$2,154,360	\$ 1,870,333	\$ 50,314	\$ 72,036	\$ (25,136)	\$ 616	\$2,179,538	\$ 1,942,985

The accompanying notes are an integral part of these financial statements

**Sarnia Community Foundation
Statement of Cash Flows**

For the year ended December 31	2012	2011
Cash flows from operating activities		
Excess of revenue over expenditures	\$ 236,553	\$ 97,515
Items not involving cash		
Change in market value	(117,188)	122,710
	119,365	220,225
Changes in non-cash working capital balances		
Accounts receivable	(70)	(3,368)
Prepaid expenses	(408)	-
Accounts payable and accrued liabilities	499	(287)
	119,386	216,570
Cash flows from investing activities		
Net change in investments	(179,051)	(143,161)
Increase (decrease) in cash during the year	(59,665)	73,409
Cash, beginning of year	137,550	64,141
Cash, end of year	\$ 77,885	\$ 137,550

Sarnia Community Foundation Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies

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.

Basis of Accounting

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

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 Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies (continued)

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.

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.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies (continued)

**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**

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transactions costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2012

2. First-time Adoption

Effective January 1, 2012, the organization adopted the requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the organization's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011. The organization issued financial statements for the year ended December 31, 2011 using Canadian generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO resulted in adjustments to the previously reported assets, liabilities, equity, excess of revenue over expenses and cash flows of the organization.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2012

3. Investments

	2012		
	Amortized cost	Unrealized gain (loss)	Fair value
Bond funds	\$ 841,433	\$ 441	\$ 841,874
Preferred shares	103,978	(3,878)	100,100
Canadian equities	493,433	34,587	528,020
U.S. equities	593,412	33,451	626,863
	\$2,032,256	\$ 64,601	\$ 2,096,857
	2011		
	Amortized cost	Unrealized gain (loss)	Fair value
Bonds	\$ 666,318	\$ (44,632)	\$ 621,686
Preferred shares	103,978	(12,386)	91,592
Canadian equities	1,062,320	25,020	1,087,340
	\$ 1,832,616	\$ (31,998)	\$ 1,800,618

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, 2012

4. Endowment Funds

The endowment fund consists of the following:

	2012	2011
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 386,590	\$ 411,466
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	260,362	211,512
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	1,419,792	1,163,175
Funds where income has been designated for operations by the donor	87,616	84,180
	\$ 2,154,360	\$ 1,870,333

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, 3.50% (2011- 3.50%) 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% (2011 - 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, \$12,995 (2011 - \$36,487) available for granting was included as investment income of the Restricted Fund and \$38,945 (2011 - \$46,631) available to cover operating expenses was included as investment income of the Operating Fund.

Sarnia Community Foundation Notes to Financial Statements

December 31, 2012

5. Restricted Fund

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

	2012	2011
Flow-through funds	\$ 50,314	\$ 72,036

Grants and charitable activities expense was funded as follows:

Endowment Fund earnings available for granting	\$ 58,106	\$ 21,543
Flow-through funds	210,459	239,082
	\$ 268,565	\$ 260,625

6. Life Insurance

The Foundation has been designated 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, 2012, the estimated amounts of insurance in force for which the Foundation has been designated as beneficiary totals \$1,140,000 (2011 - \$1,140,000). These amounts are not recorded in the accompanying financial statements.

7. Commitment

The Foundation leases office space at an annual rental of \$6,000 payable in equal monthly installments of \$500. The Foundation also pays, as additional rent, their share of realty taxes, payable monthly. The lease expires December 31, 2017.

8. Fund raising - net

	2012	2011
Revenue	\$ 18,202	\$ 34,066
Expense	(11,488)	(17,771)
	\$ 6,714	\$ 16,295