

**Sarnia Community Foundation**  
**Financial Statements**  
**For the year ended December 31, 2015**

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**Financial Statements**  
For the year ended December 31, 2015

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Tel: 519 336 9900  
Fax: 519 332 4828  
www.bdo.ca

BDO Canada LLP  
Kenwick Place, 250 Christina Street N  
PO Box 730  
Sarnia ON N7T 7J7 Canada

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## Independent Auditor's Report

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### 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, 2015, and the statements of revenue and expenses and 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.

#### 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, 2015 and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Sarnia, Ontario  
September 22, 2016

**Sarnia Community Foundation  
Statement of Financial Position**

	2015	2014
<b>Assets</b>		
<b>Current</b>		
Cash (Note 2)	\$ 185,475	\$ 68,808
Accounts receivable	2,785	2,735
Prepaid expenses	598	598
	188,858	72,141
<b>Long-term</b>		
Investments (Note 3)	4,748,936	3,246,350
	\$ 4,937,794	\$ 3,318,491
<b>Liabilities and Fund Balances</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 5,839	\$ 3,722
<b>Fund Balances</b>		
Endowment (Note 4)	4,773,388	3,237,331
Restricted (Note 5)	168,848	86,584
Operating	(10,281)	(9,146)
	4,931,955	3,314,769
	\$ 4,937,794	\$ 3,318,491

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	
	2015	2014	2015	2014	2015	2014	2015	2014
<b>Revenue</b>								
Donations	\$1,455,414	\$ 345,376	\$ 71,329	\$ 102,765	\$ 7,710	\$ 8,101	\$1,534,453	\$ 456,242
Investment income	2,880	-	-	11,893	63,698	54,660	66,578	66,553
Fund raising - net	-	-	-	-	7,926	10,439	7,926	10,439
Change in market value	178,666	274,157	86,361	59,839	-	-	265,027	333,996
	<b>1,636,960</b>	<b>619,533</b>	<b>157,690</b>	<b>174,497</b>	<b>79,334</b>	<b>73,200</b>	<b>1,873,984</b>	<b>867,230</b>
<b>Expenses</b>								
Life insurance premiums	5,436	5,436	-	-	-	-	5,436	5,436
Expenses	-	-	-	-	80,469	78,486	80,469	78,486
	<b>5,436</b>	<b>5,436</b>	<b>-</b>	<b>-</b>	<b>80,469</b>	<b>78,486</b>	<b>85,905</b>	<b>83,922</b>
Excess (deficiency) of revenue over expenses before grants and charitable activities	<b>1,631,524</b>	<b>614,097</b>	<b>157,690</b>	<b>174,497</b>	<b>(1,135)</b>	<b>(5,286)</b>	<b>1,788,079</b>	<b>783,308</b>
Grants and charitable activities expense (Note 5)	-	2,750	170,893	216,804	-	3,860	170,893	223,414
Excess (deficiency) of revenue over expenses for the year	<b>1,631,524</b>	<b>611,347</b>	<b>(13,203)</b>	<b>(42,307)</b>	<b>(1,135)</b>	<b>(9,146)</b>	<b>1,617,186</b>	<b>559,894</b>
Interfund transfer	(95,467)	39,778	95,467	(39,778)	-	-	-	-
Fund Balances, beginning of year	<b>3,237,331</b>	<b>2,586,206</b>	<b>86,584</b>	<b>168,669</b>	<b>(9,146)</b>	<b>-</b>	<b>3,314,769</b>	<b>2,754,875</b>
Fund Balances, end of year	<b>\$4,773,388</b>	<b>\$ 3,237,331</b>	<b>\$ 168,848</b>	<b>\$ 86,584</b>	<b>\$ (10,281)</b>	<b>\$ (9,146)</b>	<b>\$4,931,955</b>	<b>\$ 3,314,769</b>

The accompanying notes are an integral part of these financial statements  
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**Sarnia Community Foundation  
Statement of Cash Flows**

<b>For the year ended December 31</b>	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities</b>		
Excess of revenue over expenditures	\$ 1,617,186	\$ 559,894
Items not involving cash		
Change in market value	(265,027)	(333,996)
	1,352,159	225,898
<b>Changes in non-cash working capital balances</b>		
Accounts receivable	(50)	3,443
Prepaid expenses	-	257
Accounts payable and accrued liabilities	2,117	298
	1,354,226	229,896
<b>Cash flows from investing activities</b>		
Net change in investments	(1,237,559)	(321,813)
<b>Increase (decrease) in cash during the year</b>	<b>116,667</b>	<b>(91,917)</b>
<b>Cash, beginning of year</b>	<b>68,808</b>	<b>160,725</b>
<b>Cash, end of year</b>	<b>\$ 185,475</b>	<b>\$ 68,808</b>

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

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# Sarnia Community Foundation Notes to Financial Statements

December 31, 2015

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## 1. Summary of 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.



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# Sarnia Community Foundation Notes to Financial Statements

December 31, 2015

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## 1. Summary of 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** Investment income 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.

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## Sarnia Community Foundation Notes to Financial Statements

December 31, 2015

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### 1. Summary of Significant Accounting Policies (continued)

<b>Capital Disclosure</b>	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.
<b>Contributed Goods and Services</b>	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
<b>Capital Assets</b>	Capital assets are expensed in the year of acquisition.
<b>Financial Instruments</b>	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. Transaction 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.

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**Sarnia Community Foundation  
Notes to Financial Statements**

**December 31, 2015**

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**2. Cash**

Included in cash is \$95,824 (2014 - \$NIL) of funds which have been converted from U.S. dollars.

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**3. Investments**

	<b>2015</b>		
	<b>Amortized cost</b>	<b>Unrealized gain (loss)</b>	<b>Fair value</b>
Bond funds	\$1,416,436	\$ 17,503	\$ 1,433,939
Canadian equities	876,562	22,765	899,327
U.S. equities	1,855,128	560,542	2,415,670
	<b>\$4,148,126</b>	<b>\$ 600,810</b>	<b>\$ 4,748,936</b>
			<b>2014</b>
	<b>Amortized cost</b>	<b>Unrealized gain (loss)</b>	<b>Fair value</b>
Bond funds	\$ 1,214,934	\$ 37,342	\$ 1,252,276
Other equities	28,809	(2,958)	25,851
Canadian equities	477,501	60,605	538,106
U.S. equities	1,062,668	367,449	1,430,117
	<b>\$ 2,783,912</b>	<b>\$ 462,438</b>	<b>\$ 3,246,350</b>

Included in the investment balance above are \$645,749 (2014 - \$NIL) of investments that have been converted from U.S. funds.

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, 2015**

**4. Endowment Funds**

The endowment fund consists of the following:

	<b>2015</b>	<b>2014</b>
<b>Community Funds</b>		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 543,452	\$ 523,040
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	359,573	318,577
<b>Donor Advised Funds</b>		
Funds where grants are distributed to charitable organizations designated by donors at the time the fund is established or advised annually by donors	3,762,146	2,290,842
Funds where income has been designated for operations by the donor	108,217	104,872
	<b>\$ 4,773,388</b>	<b>\$ 3,237,331</b>

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% (2014 - 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% (2014 - 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, \$NIL (2014 - \$11,893) available for granting was included as investment income of the Restricted Fund and \$63,698 (2014 - \$54,660) available to cover operating expenses was included as investment income of the Operating Fund.

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## Sarnia Community Foundation Notes to Financial Statements

December 31, 2015

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### 5. Restricted Fund

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

	<u>2015</u>	<u>2014</u>
Grantable income		
Specific to current and prior years	\$ 10,394	\$ -
Reserve for future years	95,467	10,689
Flow-through funds	<u>62,987</u>	<u>75,895</u>
	<u>\$ 168,848</u>	<u>\$ 86,584</u>

Grants and charitable activities expense was funded as follows:

Endowment Fund earnings available for granting	\$ 104,919	\$ 77,802
Flow-through funds	<u>65,974</u>	<u>176,603</u>
	<u>\$ 170,893</u>	<u>\$ 254,405</u>

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### 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, 2015, the estimated amounts of insurance in force for which the Foundation has been designated as beneficiary totals \$1,140,000 (2014 - \$1,140,000). These amounts are not recorded in the accompanying financial statements.

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### 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.

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### 8. Comparative Financial Information

The financial information shown for comparative purposes has been reclassified to be consistent with the current year's presentation.

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**Sarnia Community Foundation  
Notes to Financial Statements**

**December 31, 2015**

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**9. Financial Instrument Risk Management**

**Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The organization is exposed to this risk through its cash and investments which are denominated in U.S. currency.