

**SARNIA COMMUNITY FOUNDATION**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

Draft for discussion only

WJ/ST

# SARNIA COMMUNITY FOUNDATION

## TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Statement of Financial Position	3
Statement of Revenue and Expenses and Changes in Fund Balances	4
Statement of Cash Flows	5
Notes to Financial Statements	6



## INDEPENDENT AUDITOR'S REPORT

To the board of Directors of Sarnia Community Foundation

### *Qualified Opinion*

We have audited the financial statements of SARNIA COMMUNITY FOUNDATION that comprise the statement of financial position as at December 31, 2018, and the statements of operations, and cash flow for the year then ended, and 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 aspects, the financial position of SARNIA COMMUNITY FOUNDATION as at December 31, 2018 and its financial performance and its cash flows for the year ended, in accordance with the Canadian accounting standards for not-for-profit organizations.

### *Basis for Qualified Opinion*

In common with many not-for-profit organizations, SARNIA COMMUNITY FOUNDATION derives revenue from fees and fund raising 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 SARNIA COMMUNITY FOUNDATION. Therefore, we were not able to determine whether any adjustments might be necessary to fees and fund raising activities, excess revenue over expenses, cash flows from operations, assets and net assets as at December 31, 2018.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

*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 Accounting Standards for Non-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 the organization'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 the organization or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the organization's financial reporting process.

<sup>1</sup> 

*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 the organization'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 the organization'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 the organization to cease to continue as a going concern.
- 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.

Sarnia, Ontario

TurnerMoore LLP  
Chartered Professional Accountants  
Licensed Public Accountants



SARNIA COMMUNITY FOUNDATION  
STATEMENT OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2018

	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash <i>(Note 3)</i>	\$ 213,825	\$ 127,730
Other assets <i>(Note 8)</i>	57,495	52,635
Due from government agencies	1,402	1,631
Prepaid expenses	1,260	1,567
	273,982	183,563
<b>Long-term assets</b>		
Investments <i>(Note 4)</i>	6,824,297	6,663,312
	\$ 7,098,279	\$ 6,846,875
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 9,511	\$ 4,892
<b>Fund balances</b>		
Endowment <i>(Note 5)</i>	6,770,933	6,564,126
Restricted <i>(Note 6)</i>	316,226	284,083
Operating	1,609	(6,226)
	7,088,768	6,841,983
	\$ 7,098,279	\$ 6,846,875

Approved on behalf of the Board:

  
 \_\_\_\_\_ Director  


SARNIA COMMUNITY FOUNDATION  
STATEMENT OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2018

	Endowment		Restricted		Operating		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Revenue</b>								
Donations	\$ 511,995	\$ 1,413,781	\$ 139,889	\$ 128,938	\$ 19,926	\$ 6,765	\$ 671,810	\$ 1,549,484
Investment income	-	175,984	195,811	174,786	84,598	87,465	280,409	438,235
Fund raising- net	-	-	-	-	7,666	16,006	7,666	16,006
Change in market value	(300,131)	-	-	-	-	-	(300,131)	-
	211,864	1,589,765	335,700	303,724	112,190	110,236	659,754	2,003,725
Life insurance premiums	5,436	5,436	-	-	-	-	5,436	5,436
Expenses	-	-	-	-	104,355	96,080	104,355	96,080
	5,436	5,436	-	-	104,355	96,080	109,791	101,516
Excess (deficit) of revenue over expenses before grants and charitable activities	206,428	1,584,329	335,700	303,724	7,835	14,156	549,963	1,902,209
Grants and charitable activities expenses (Note 6)	-	750	303,178	289,844	-	10,254	303,178	300,848
Excess (deficit) of revenue over expenses for the year	206,428	1,583,579	32,522	13,880	7,835	3,902	246,785	1,601,361
Interfund transfers (Note 11)	379	(49,354)	(379)	49,354	-	-	-	-
Fund balances, beginning of year	6,564,126	5,029,901	284,083	220,849	(6,226)	(10,128)	6,841,983	5,240,622
Fund balances, end of year	\$ 6,770,933	\$ 6,564,126	\$ 316,226	\$ 284,083	\$ 1,609	\$ (6,226)	\$ 7,088,768	\$ 6,841,983

"See Notes to the Financial Statements"

**SARNIA COMMUNITY FOUNDATION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Excess of revenue over expenditures	\$ 246,785	\$ 1,601,361
<b>Items not requiring an outlay of funds</b>		
Change in market value	(300,131)	-
	(53,346)	1,601,361
<b>Changes in non-cash working capital</b>		
Due from government agencies	229	(401)
Prepaid expenses	307	(881)
Other assets	(4,860)	(51,885)
Accounts payable and accrued liabilities	4,617	(1,505)
<b>Net cash provided by operations</b>	(53,053)	1,546,689
<b>INVESTING ACTIVITIES</b>		
Net change in investments	139,148	(1,537,545)
<b>Net cash used by investing activities</b>	139,148	(1,537,545)
Net increase in cash and cash equivalents	86,095	9,144
Cash , beginning of the year	127,730	118,586
<b>Cash, end of the year</b>	<b>\$ 213,825</b>	<b>\$ 127,730</b>

"See Notes to the Financial Statements"


SARNIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**1 INTRODUCTORY NOTES**

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.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**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.

6  




SARNIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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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. Restricted Fund, are contributions which are distributed within two fiscal years from the date of receipt by the Foundation as specified by the donors.

*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.

**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 to 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

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.

7  


SARNIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**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.

**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.

**Tangible Capital Assets**

Tangible capital assets are expensed in the year of acquisition.

**Financial Instruments**

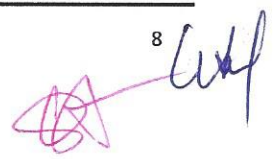
Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives are reported at fair value, with any unrealized gains and losses reported in operations. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. 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.

**3 CASH**

Cash consists of bank accounts and cash on deposit in investment accounts. Included in cash is \$8,143 (2016 - \$4,074) of funds which have been converted from U.S. dollars.

**4 INVESTMENTS**

	2018		
	Amortized cost	Unrealized gain (loss)	Fair value
Bond funds	\$ 2,709,146	\$ 26,324	\$ 2,735,470
Canadian equities	1,900,298	7,444	1,907,742
U.S equities	2,013,388	167,697	2,181,085
	\$ 6,622,832	\$ 201,465	\$ 6,824,297

8  


SARNIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

	2017		
	Amortized cost	Unrealized gain (loss)	Fair value
Bond funds	\$ 1,958,191	\$ 65,486	\$ 2,023,677
Canadian equities	2,592,684	341,201	2,933,885
U.S equities	1,607,490	98,260	1,705,750
	<b>\$ 6,158,365</b>	<b>\$ 504,947</b>	<b>\$ 6,663,312</b>


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.

**5 ENDOWMENT FUNDS**

The endowment fund consists of the following:

	2018	2017
<i>Community Funds</i>		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 715,295	\$ 676,870
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	724,492	721,475
<i>Donor Advised Funds</i>		
Funds where grants are distributed to charitable organizations designated by donors at the time the fund is established or advised annually by donors	5,221,632	5,056,267
Funds where income has been designated for operations by the donor	109,514	109,514
	<b>\$ 6,770,933</b>	<b>\$ 6,564,126</b>

9 

SARNIA COMMUNITY FOUNDATION  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2018

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% (2017 - 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% (2017 - 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, \$195,811 (2017 - \$174,786) available for granting was included as investment income of the Restricted Fund and \$125,302.09 (2017 - \$87,465) available to cover operating expenses was included as investment income of the Operating Fund.

**6 RESTRICTED FUND**

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

	2018	2017
Grantable income		
Specific to current and prior years	\$ 63,509	\$ 43,234
Specific to the subsequent year	61,793	60,851
Reserve for future years	124,458	124,457
Flow-through funds	66,466	55,541
	<b>\$ 316,226</b>	<b>\$ 284,083</b>

**7 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, 2018, the estimated amounts of insurance in force for which the Foundation has been designated as beneficiary totals \$1,140,000 (2016 - \$1,140,000). These amounts are not recorded in the accompanying financial statements.

10

SARNIA COMMUNITY FOUNDATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018

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**8 OTHER ASSETS**

In 2017 one of the insured (see Note 7) was unable to fund the amounts required to keep the policy in force. The Foundation determined that it is in the best interest of the Foundation to maintain the policy and accordingly has funded a portion of the current year's premium. This amount is included on the balance sheet as other assets (\$57,495 in 2018 and \$52,635 in 2017).

**9 COMMITMENT**

The Foundation leases office space at 560 Exmouth Street. The rental amounts include both a base rent plus their share of realty taxes. The base annual amount of the rent are as follows until December 31, 2022:

2019	6,270
2020	6,555
2021	6,555
2022	<u>6,840</u>
	<u>\$ 26,220</u>

**10 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.

*Market risk*

The organization is exposed to market risk through the fluctuation of financial instrument fair values due to changes in market prices. The significant market risks to which the organization is exposed are currency risk, interest rate risk and other price risk.

**11 INTERFUND TRANSFERS**

The current year included \$379 transfers from the restricted fund (grantable) to the endowment fund. These transfers were used to correct allocations among the funds.