

Community Foundation Grey Bruce
Financial Statements
For the year ended December 31, 2016

Community Foundation Grey Bruce
Financial Statements
For the year ended December 31, 2016

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Independent Auditor's Report

To the Members of
Community Foundation Grey Bruce

We have audited the accompanying financial statements of the Community Foundation Grey Bruce, which comprise the balance sheet as at December 31, 2016, and the statements of operations 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 audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Community Foundation Grey Bruce as at December 31, 2016 and the results of its operations and changes in fund balances and cash flows 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

Owen Sound, Ontario
June 5, 2017

Community Foundation Grey Bruce
Balance Sheet

December 31	2016	2015
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Assets

Current

Cash	\$ 117,319	\$ 113,005
Investments (Note 2)	15,361,841	14,666,725
Cash surrender value of life insurance (Note 3)	13,218	15,234
Accounts receivable (Note 4)	11,828	16,679
Prepaid expenses	1,243	1,243

	\$ 15,505,449	\$ 14,812,886
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Liabilities and Fund Balances

Current

Accounts payable (Note 5)	\$ 16,243	\$ 13,053
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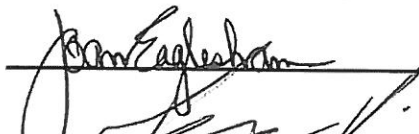

Fund balances

Externally restricted (Note 6)		
Endowments	13,642,937	12,865,335
Donor restricted	1,438,429	1,378,478
Operating	407,840	556,020

	15,489,206	14,799,833
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	\$ 15,505,449	\$ 14,812,886
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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
	2016	2015	2016	2015	2016	2015	
Revenues							
Trillium grant	\$ -	\$ 2,743	\$ -	\$ -	\$ -	\$ -	\$ 2,743
Donations and event revenue	2,721	11,930	97,359	143,341	677,910	511,550	666,821
Investment income (Note 7)	79,947	155,596	889,241	562,141	-	-	717,737
	82,668	170,269	986,600	705,482	677,910	511,550	1,387,301
Expenses							
Administrative expenses (Schedule 1)	301,452	291,806	-	-	-	-	291,806
Insurance premium	-	-	2,017	2,303	-	-	2,303
Trillium expenses	-	2,743	-	-	-	-	2,743
Grants (Note 8)	-	-	754,336	801,860	-	-	801,860
	301,452	294,549	756,353	804,163	-	-	1,098,712
Excess (deficiency) of revenues over expenses before transfers	(218,784)	(124,280)	230,247	(98,681)	677,910	511,550	288,589
Interfund transfers (Note 9)	70,604	209,195	(170,296)	(120,306)	99,692	(88,889)	-
Excess (deficiency) of revenues over expenses for the year	(148,180)	84,915	59,951	(218,987)	777,602	422,661	288,589
Fund balances, beginning of year	556,020	471,105	1,378,478	1,597,465	12,865,335	12,442,674	14,511,244
Fund balances, end of year	\$ 407,840	\$ 556,020	\$ 1,438,429	\$ 1,378,478	\$ 13,642,937	\$ 12,865,335	\$ 14,799,833

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

Community Foundation Grey Bruce Statement of Cash Flows

For the year ended December 31	2016	2015
Cash flows from (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 689,373	\$ 288,589
Items not involving cash		
Change in unrealized gain on investments	(338,270)	539,566
Donation of securities	(95,831)	(41,778)
	<u>255,272</u>	<u>786,377</u>
Changes in non-cash working capital balances		
Accounts receivable	4,851	(918)
Prepaid expenses	-	241
Accounts payable	3,190	3,095
Deferred revenue	-	(2,743)
	<u>263,313</u>	<u>786,052</u>
Investing activities		
Increase in investments	(261,015)	(771,330)
Change in cash surrender value of life insurance	2,016	2,303
	<u>(258,999)</u>	<u>(769,027)</u>
Increase (decrease) in cash during the year	4,314	17,025
Cash position, beginning of the year	<u>113,005</u>	<u>95,980</u>
Cash position, end of the year	<u>\$ 117,319</u>	<u>\$ 113,005</u>

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

Community Foundation Grey Bruce

Notes to Financial Statements

December 31, 2016

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, 2016

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 Director, is reported as an interfund transfer to the Endowment Fund to preserve the purchasing power of the capital.

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, 2016

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

	2016		2015	
Notes	\$ 410,729	3 %	\$ 678,452	5 %
Fixed income				
Canadian	4,170,596	27 %	3,312,950	23 %
Foreign	148,896	1 %	473,155	3 %
Equities				
Canadian	4,002,742	26 %	3,228,526	22 %
Foreign	2,869,726	19 %	3,357,590	23 %
International pooled funds	2,845,401	18 %	2,935,344	19 %
	14,448,090	94 %	13,986,017	95 %
Cash and Cash equivalents				
Canadian	525,418	3 %	436,003	3 %
Foreign	388,333	3 %	244,705	2 %
	<u>\$ 15,361,841</u>	<u>100 %</u>	<u>\$ 14,666,725</u>	<u>100 %</u>

Community Foundation Grey Bruce

Notes to Financial Statements

December 31, 2016

2. Investments - (continued)

Cash equivalents include \$515,617 (2015 - \$300,163) in Canadian and \$360,800 (2015 - \$129,014) 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, 2016

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 \$13,218 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.

5. Accounts Payable

Included in accounts payable is \$4,458 (2015 - \$71) in government remittances payable. The Foundation is exposed to liquidity risk arising from its accounts payable.

6. Externally Restricted Net Assets

	2016	2015
Endowments		
Community Funds	\$ 400,997	\$ 255,337
Designated Funds	1,471,409	1,419,850
Smart and Caring	1,332,294	1,259,122
Field of Interest	461,056	461,056
Designated - Agency Fund	846,516	750,746
Donor Advised	8,117,407	7,545,647
Designated - Foundation Operations	1,013,258	1,173,577
	<u>\$ 13,642,937</u>	<u>\$ 12,865,335</u>
Donor Restricted Undistributed Fund Balance		
Endowment fund earnings undistributed	\$ 1,404,195	\$ 1,317,722
Flow Through Funds		
Owen Sound Physicians Recruitment	-	11,256
Community Waterfront	-	3,547
Cheetam	-	3,953
Wes for Youth	9,928	42,000
Leith Summer Fest	24,306	-
	<u>\$ 1,438,429</u>	<u>\$ 1,378,478</u>

Community Foundation Grey Bruce
Notes to Financial Statements

December 31, 2016

7. Investment Income

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

	2016	2015
Dividends and interest	\$ 473,089	\$ 575,635
Realized gain	234,875	770,791
Change in unrealized gain	338,270	(539,566)
Investment council fees	(77,046)	(89,123)
Total investment income on endowment resources recognized as revenue in the year	<u>\$ 969,188</u>	<u>\$ 717,737</u>

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

Operating	\$ 79,947	\$ 155,596
Restricted	725,194	704,472
Restricted - not available for distribution (see below)	164,047	(142,331)
Total investment income on endowment resources recognized as revenue in the year	<u>\$ 969,188</u>	<u>\$ 717,737</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 \$164,047 in respect of the income earned in the year. In 2015, due to the significant reduction of unrealized gains compared to the prior year, this was a negative \$142,331.

8. Grants

	2016	2015
Related to endowments	\$ 647,667	\$ 671,660
Related to flow through funds	106,669	130,200
	<u>\$ 754,336</u>	<u>\$ 801,860</u>

Community Foundation Grey Bruce
Notes to Financial Statements

December 31, 2016

9. Interfund Transfers

	<u>2016</u>	<u>2015</u>
Transfers to (from) Operating Fund		
Annual administration fee of 1.5% of the market value of the endowments and 1.5% of receipts for flow through funds	\$ 200,562	\$ 195,730
Contribution received for Vital Signs project from restricted fund	-	13,465
Establishment of Endowed Unrestricted Community Fund	<u>(129,958)</u>	<u>-</u>
	<u>\$ 70,604</u>	<u>\$ 209,195</u>
Transfers to (from) Restricted Fund		
Contribution received for grants from endowments	\$ 44,444	\$ 88,889
Annual administration fee of 1.5% of the market value of the endowments and 1.5% of receipts for flow through funds	(200,562)	(195,730)
Contribution to operating fund for Vital Signs project	-	(13,465)
Transfer from flow through funds to establish endowments	<u>(14,178)</u>	<u>-</u>
	<u>\$ (170,296)</u>	<u>\$ (120,306)</u>
Transfers to (from) Endowment Fund		
Establishment of Endowed Unrestricted Community Fund	\$ 129,958	\$ -
Transfer from flow through funds to establish endowments	14,178	-
Contribution to restricted funds for grants	<u>(44,444)</u>	<u>(88,889)</u>
	<u>\$ 99,692</u>	<u>\$ (88,889)</u>

Community Foundation Grey Bruce

Notes to Financial Statements

December 31, 2016

10. Matched Funding

The Foundation initialized a matching program utilizing up to \$700,000 of the funds received from the Betty McKay Estate. This program was effective October 1, 2013 to December 31, 2016. The program is now closed to new matched funds although funds that have been granted matching approval by December 31, 2016 under this program, will have the ability to continue to contribute under the program until December 31, 2017. The program was designed as follows:

- (a) All matching by the Foundation is on a \$1 per \$2 donated.
- (b) There is a minimum of \$5,000 and a maximum of \$10,000 to be matched for all other existing and new funds participating in the program.
- (c) All matched funds must remain with the Foundation if the Endowed fund is ever dissolved.
- (d) Annual investment income will be reinvested into the matched fund until endowed capital of the combined funds reaches \$25,000.

The Betty McKay Estate provided \$159,722 in matching funds in 2016 (2015 - \$229,286).

11. 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. No value related to this trust has been included in these financial statements.

Community Foundation Grey Bruce
Schedule 1 - Administrative Expenses

For the year ended December 31	2016	2015
Bank charges	\$ 445	\$ 700
Conferences, training and workshops	1,911	10,054
Equipment	587	1,201
Insurance	1,694	1,960
Meetings	17,128	7,989
Membership dues and subscriptions	4,007	4,338
Miscellaneous	187	691
Office expenses	10,624	11,429
Promotional material and events	11,912	21,056
Professional fees	6,976	6,974
Rent	18,709	17,254
Salaries and benefits	200,924	185,784
Software	5,519	1,045
Telephone and internet	3,074	2,776
Travel	2,463	5,090
Vital Signs	15,292	13,465
	<u>\$ 301,452</u>	<u>\$ 291,806</u>

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	\$ 14,812,886	\$ 14,523,945
Total assets, end of the year	\$ 15,505,449	\$ 14,812,886
Average total assets	\$ 15,159,168	\$ 14,668,416
Administrative expenses	\$ 301,452	\$ 291,806
Administrative expenses as a percentage of total assets	1.99 %	1.99 %