

**GRAND BEND COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
DECEMBER 31, 2018**

DRAFT

SEEBACH & COMPANY
Chartered Professional Accountants

INDEPENDENT AUDITOR'S REPORT

To the Directors of Grand Bend Community Foundation

Opinion

We have audited the accompanying financial statements of Grand Bend Community Foundation, which are comprised of the statement of financial position as at December 31, 2018 and the statements of operations and fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Grand Bend Community Foundation as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Basis for Qualified Opinion

In common with many charitable organizations, the Grand Bend Community Foundation derives revenue from donations, 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 the Grand Bend Community Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to recorded donations, excess of revenues over expenses, assets and fund balances. Our opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this scope limitation.

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 Grand Bend Community Foundation 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 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 ASNFPO, 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 Grand Bend Community Foundation'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 Grand Bend Community Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Grand Bend Community Foundation's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (continued)

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 Grand Bend Community Foundation'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 Grand Bend Community Foundation'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 Grand Bend Community Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Seebach & Company

Chartered Professional Accountants
Licensed Public Accountants

Clinton, Ontario
April 5, 2019

**GRAND BEND COMMUNITY FOUNDATION
STATEMENT OF FINANCIAL POSITION**

As at December 31	2018	2017
ASSETS		
Current assets		
Cash	210,187	190,111
Accrued interest receivable	-	384
Other accounts receivable	4,758	5,117
Other assets	70,999	112,742
	<u>285,944</u>	<u>308,354</u>
Investments	2,285,393	2,254,322
	<u>\$ 2,571,337</u>	<u>\$ 2,562,676</u>
LIABILITIES AND FUND BALANCES		
Current liabilities		
Accounts payable and accrued liabilities	6,058	6,058
	<u>6,058</u>	<u>6,058</u>
Fund balances		
General fund	-	-
Flow through fund	-	1,405
Unrestricted fund	2,080,718	2,143,579
Restricted fund	484,561	411,634
	<u>2,565,279</u>	<u>2,556,618</u>
	<u>\$ 2,571,337</u>	<u>\$ 2,562,676</u>

The accompanying notes are an integral part of this financial statement

**GRAND BEND COMMUNITY FOUNDATION
FOUNDATION – STATEMENT OF OPERATIONS AND FUND BALANCES**

For the Year Ended December 31	General Fund	Flow Through	Unrestricted Fund	Restricted Fund	Total 2018	Total 2017
Revenue						
Donations	-	31,909	2,528	91,230	125,667	95,159
Investment income (loss) note 5	-	-	35,860	5,539	41,399	197,025
	-	31,909	38,388	96,769	167,066	292,184
Investment counsel fees	-	-	(11,232)	(1,734)	(12,966)	(13,387)
	-	31,909	27,156	95,035	154,100	278,797
Expenses						
Marketing and promotion	2,499	-	-	-	2,499	2,907
Donor life insurance policy premiums	-	2,408	-	3,594	6,002	6,553
Staff contracts	34,300	-	-	-	34,300	36,600
General insurance	2,585	-	-	-	2,585	2,534
Memberships and professional development	732	-	-	-	732	727
Office and travel	411	-	-	-	411	1,663
Communications	388	-	-	-	388	558
Legal and audit	3,014	-	-	-	3,014	2,900
	43,929	2,408	-	3,594	49,931	54,442
Cost recovery allocation	(43,929)	-	36,392	7,537	-	-
	-	2,408	36,392	11,131	49,931	54,442
Net revenue before grants and distributions	-	29,501	(9,236)	83,904	104,169	224,355
Less: Grants and distributions	-	30,906	53,625	10,977	95,508	102,743
Excess of revenue over expenses, grants and distributions	-	(1,405)	(62,861)	72,927	8,661	121,612
Fund balance, beginning of year	-	1,405	2,143,579	411,634	2,556,618	2,435,006
Fund balance, end of year	\$ 0	\$ 0	\$ 2,080,718	\$ 484,561	\$ 2,565,279	\$ 2,556,618

The accompanying notes are an integral part of this financial statement

**GRAND BEND COMMUNITY FOUNDATION
STATEMENT OF CASH FLOWS**

For the Year Ended December 31	2018	2017
Operating activities		
Net income for the year	8,661	121,612
Cash provided by (used for) changes in working capital		
Accrued interest receivable	384	(58)
Other accounts receivable	359	4,747
Other assets	41,743	(4,129)
Cash provided by (used for) operations	<u>51,147</u>	<u>122,172</u>
Investing and financing activities		
Net disposals (purchases) of investments	<u>(31,071)</u>	<u>(53,409)</u>
Cash provided by (used for) investing and financing activities	<u>(31,071)</u>	<u>(53,409)</u>
Increase (decrease) in cash	20,076	68,763
Cash beginning of year	<u>190,111</u>	<u>121,348</u>
Cash end of year	<u>\$ 210,187</u>	<u>\$ 190,111</u>

The accompanying notes are an integral part of this financial statement

GRAND BEND COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2018

1. Nature of organization

The Grand Bend Community Foundation ("Foundation") and its donors strengthen the Grand Bend and area community by building and managing permanent funds, distributing strategic and effective grants, and providing community leadership as a resource and a partner.

The Foundation is a public foundation incorporated as a corporation without share capital under the laws of the Province of Ontario on May 16, 2000. The Foundation is a registered charity and is classified as a public foundation under the Income Tax Act (Canada) (the "Tax Act") and as such, is exempt from income taxes and able to issue donation receipts for income tax purposes. To maintain its status as a public foundation registered under the Tax Act, the Foundation must meet certain requirements within the Tax Act. In the opinion of management, these requirements are being met.

2. Significant accounting policies

The financial statements are the responsibility of management prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of the periodic financial statements necessarily involves the use of estimates and approximations. These have been made using careful judgment in the light of available information. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

(a) Fund accounting

In order to ensure observance of limitation and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives. The Foundation uses five fund groups: General Fund, Invested in Capital Assets, Flow Through Fund, Unrestricted Fund, and Restricted Fund.

- (i) The General Fund accounts for the Foundation's administrative and operational revenues and expenses. Net expenditures of the General Fund are financed primarily by donor contributions directed to general operations and from investment income earned on the contributions on which the donor has placed no restriction on the use of that income. The distribution of income for granting purposes is determined by the Board of Directors each year according to the most pressing needs of the community.
- (ii) The Invested in Capital Assets fund reports resources spent on capital assets and therefore not available for future spending.
- (iii) The Flow Through Fund reports amounts that are available to be used for purposes specified by the donor.
- (iv) To shelter the Unrestricted Fund and the Restricted Fund from the effects of inflation, any annual income that is not used for administration or granting will be added to the base capital of the fund.

(b) Investments

The investments are recorded at their market value. Realized and unrealized gains and losses are recorded in the year they occur.

For the Year Ended December 31, 2018

2. Significant accounting policies (continued)

(c) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. The related contribution is deferred and amortized on the same basis as the related capital assets are amortized.

Amortization is provided on a straight line basis of the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
--------------------------------	---------

(d) Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. All donations and bequests are recorded as revenue only as received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Life insurance policies that have named the Foundation as owner/beneficiary are recorded at the cash surrender value of the policy. The increase in cash surrender value from year to year is recorded as a donation.

Investment income includes interest, dividends, realized gains (losses) and the net change in unrealized gains (losses) for the year.

(e) Contributed services

Volunteers and organizations contribute many labour hours and other services to assist the Foundation in carrying out its fundraising, operational and granting activities. Because of the difficulty in determining fair value, contributed services are not recognized in the financial statements.

(f) Donations in kind

Donated materials, which would otherwise be paid for by the Foundation, are recorded at fair value when provided if such an amount can be reasonably determined.

3. Investments

The Foundation's funds are invested in cash, bonds and equities. Those investments are subject to market value fluctuations and the Foundation records these investments at market value. Accordingly, year end market values and investment income for the year include unrealized gains and losses on these investments.

Investments, stated at market value, consist of the following:

	2018	2017
Fixed income	301,093	847,566
Equities	<u>1,984,300</u>	<u>1,406,756</u>
	<u>\$ 2,285,393</u>	<u>\$ 2,254,322</u>

4. Financial instruments

The carrying values of cash, amounts receivable and accounts payable and accrued liabilities are considered to be representative of their respective fair values due to the immediate or short-term maturity of these financial instruments.

For the Year Ended December 31, 2018

5. Investment income

The assets held by the Foundation are pooled for investment purposes. The investment income is allocated to the General Fund and the Unrestricted and Restricted Funds in accordance with stated accounting policies.

	2018	2017
Investment income earned during the year:		
Interest and dividends	74,634	58,777
Realized gains (losses)	282,459	45,911
Unrealized gains (losses)	<u>(315,694)</u>	<u>92,337</u>
	41,399	197,025
Less: investment counsel fees	<u>12,966</u>	<u>13,387</u>
	<u>\$ 28,433</u>	<u>\$ 183,638</u>
Allocated to:		
General Fund	-	-
Unrestricted Fund	24,628	161,331
Restricted Fund	<u>3,805</u>	<u>22,307</u>
	<u>\$ 28,433</u>	<u>\$ 183,638</u>

6. Income taxes

The Foundation is claiming exemption from income taxes as a registered charitable organization as provided under section 149(1)(f) of the Income Tax Act (Canada).

7. Interest in life insurance policies

The insurance policies are for life insurance on the donors of the premiums. The Foundation is the legal owner and beneficiary of the policies.

Term life insurance policies: The organization has been named the owner/beneficiary on life insurance policies in the face amount of \$350,000 from insured donors as at December 31, 2018. The annual premiums for these policies are funded by the donors and are recorded as donations. Similar amounts are also recorded as donor life insurance policy premium expenses.

Other life insurance policies: The organization has been named the owner/beneficiary on life insurance policies in the face amount of \$125,000 from insured donors as at December 31, 2018. The annual premiums for these policies are funded by the donors and are recorded as donations. Similar amounts are also recorded as donor life insurance policy premium expenses. These policies have a cash surrender value of \$70,999 as at December 31, 2018 (2017 : \$112,742) and therefore, this cash surrender value is shown under other assets on the organization's statement of financial position and included in the restricted fund balance. The premiums paid by the donors during the year were \$3,921 (including pure life insurance premium costs of \$3,921).

8. Commitments

The Foundation has outstanding pledges as follows:

Grand Bend Arts Centre	
December 15, 2019	\$ 3,500