

Financial Statements of

**THE BROCKVILLE COMMUNITY
FOUNDATION**

Year ended December 31, 2014

INDEPENDENT AUDITOR'S REPORT

To the Members of The Brockville Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of The Brockville Community Foundation which comprise of the statement of financial position as at December 31, 2014 and the statements of operations, changes in net assets 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 of 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 Brockville Community Foundation derives revenue from donations and fundraising, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of contributions was limited to the amounts recorded in the records of Brockville Community Foundation and we were not able to determine whether any adjustments might be necessary to donation and fundraising revenues, excess of revenue over expenses, assets, endowments and unrestricted net assets.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Brockville Community Foundation as at December 31, 2014 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Report on other Legal and Regulatory Requirements

As required by the Corporations Act (Ontario), we report that, in our opinion, accounting standards have been applied on a basis consistent with that of the preceding year.

Bennett McMahon Stillan

Chartered Professional Accountants, Licensed Public Accountants

June 17, 2015

Brockville, Canada

THE BROCKVILLE COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2014, with comparative figures for 2013

	2014	2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 73,385	\$ 75,623
Amounts receivable	948	-
Commodity taxes recoverable	1,002	1,110
Prepaid expense	1,636	1,614
	<u>76,971</u>	<u>78,347</u>
Investments (note 3)	884,141	829,708
Computer equipment	2,043	2,043
Less accumulated amortization	<u>2,043</u>	<u>2,043</u>
	-	-
	<u>\$ 961,112</u>	<u>\$ 908,055</u>
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 2,358	\$ 251
Deferred contributions:		
Restricted donations (note 4(a))	5,596	5,596
For distribution (note 4(b))	18,598	30,930
Reinvested earnings (note 4(c))	90,299	75,878
	<u>114,493</u>	<u>112,404</u>
Net assets:		
Endowments	713,363	684,509
Internally restricted investment earnings (note 5)	5,945	3,554
Unrestricted	124,953	107,337
	<u>844,261</u>	<u>795,400</u>
	<u>\$ 961,112</u>	<u>\$ 908,055</u>

See accompanying notes to financial statements.

Approved by the Board:

 Director

 Director

THE BROCKVILLE COMMUNITY FOUNDATION

Statement of Operations

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Revenue:		
Donations	\$ 11,655	\$ 29,948
Fundraising	29,287	33,562
Government grants	-	4,492
Administration fees on endowments (note 3)	9,619	8,600
Dividends and interest	1,589	1,130
Recognition of prior year investment earnings from pooled investments (note 4(c))	29,076	2,859
Unrestricted investment earnings from pooled investments (note 3)	8,118	11,107
Donated professional services	4,000	4,000
Donated advertising	867	3,810
Program and recoveries	811	-
Unrealized gain on investment in shares	4,126	4,368
	<u>99,148</u>	<u>103,876</u>
Expenses:		
Grants	54,147	41,550
Youth intern salary and benefits	-	4,492
Fundraising	13,053	11,357
Telephone and internet	1,969	2,234
Meetings	143	-
Memberships and conference	550	550
Printing and office	1,967	3,858
Bank charges	63	85
Insurance	2,009	1,868
Insurance deductible (note 6)	-	(1,000)
Outside service contract	353	-
Advertising and promotion	867	3,810
Professional fees	4,000	4,000
Professional development, conferences and travel	20	79
	<u>79,141</u>	<u>72,883</u>
Excess of revenue over expenses	<u>\$ 20,007</u>	<u>\$ 30,993</u>

See accompanying notes to financial statements.

THE BROCKVILLE COMMUNITY FOUNDATION

Statement of Changes in Net Assets

Year ended December 31, 2014, with comparative figures for 2013

2014	Restricted Endowments	Internally restricted investment earnings	Unrestricted	Total
Balance, beginning of year	\$ 684,509	\$ 3,554	\$ 107,337	\$ 795,400
Endowments received	28,854	-	-	28,854
Excess of revenue over expenses	-	-	20,007	20,007
Transfer (note 5)	-	2,391	(2,391)	-
	\$ 713,363	\$ 5,945	\$ 124,953	\$ 844,261

2013	Restricted Endowments	Internally restricted investment earnings	Unrestricted	Total
Balance, beginning of year	\$ 664,214	\$ 1,547	\$ 78,351	\$ 744,112
Endowments received	20,295	-	-	20,295
Excess of revenue over expenses	-	-	30,993	30,993
Transfer (note 5)	-	2,007	(2,007)	-
	\$ 684,509	\$ 3,554	\$ 107,337	\$ 795,400

See accompanying notes to financial statements.

THE BROCKVILLE COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2014, with comparative figures for 2013

	2014	2013
Cash provided by (used for):		
Operations:		
Donations received	\$ 11,655	\$ 26,475
Fundraising revenue	28,787	33,561
Grants received	-	4,492
Investment income received	1,223	1,105
Other income from programs	363	-
Grants paid	(54,147)	(4,492)
Other amounts paid to employees and suppliers	(19,156)	(62,016)
	<u>(31,275)</u>	<u>(875)</u>
Investing and financing activities:		
Endowments received	14,692	20,295
Additions to pooled investment	(13,455)	(20,296)
Cash received from pooled investments	27,800	27,251
	<u>29,037</u>	<u>27,250</u>
Increase (decrease) in cash and cash equivalents	<u>(2,238)</u>	<u>26,375</u>
Cash and cash equivalent, beginning of year	75,623	49,248
Cash and cash equivalent, end of year (note 2)	<u>\$ 73,385</u>	<u>\$ 75,623</u>

See accompanying notes to financial statements.

THE BROCKVILLE COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

The Brockville Community Foundation is incorporated without share capital under the Corporations Act (Ontario) and operates under the name "Brockville and Area Community Foundation". The Foundation was established for the purpose of receiving and maintaining a fund or funds and applying all or part of the principal and income there from for the promotion and advancement of education, scientific research, culture, and relief of poverty in the City of Brockville and the surrounding area. The Foundation is a registered charity under the Income Tax Act and is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Summary of significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

(b) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions, which include donations and government grants.

Endowment contributions are recognized as direct increases in endowment net assets.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income (including unrealized gains or losses on investments) earned on restricted endowments is recognized as revenue in the year in which the income is disbursed as a grant. Unrestricted investment income is recognized as revenue when earned.

(c) Measurement of financial instruments:

The Corporation initially measures its financial assets and financial liabilities at fair value. In the case of a financial instrument that will not be measured subsequently at fair value the initial measurement is adjusted by the amount of transaction costs directly attributable to the instrument.

The Corporation subsequently measures its investments at fair value and all of its other financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash and short-term deposits and receivables,

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities,

(d) Capital assets:

Capital assets are recorded at cost. Computer equipment is amortized on a straight-line basis over a three-year period.

THE BROCKVILLE COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

1. Summary of significant accounting policies (continued):

(e) Contributed materials and services:

The Foundation records contributions of services and materials in the financial statements when:

- (i) the fair value of the contributions can be reasonably estimated;
- (ii) the contributed services and materials are used in the normal course of operations; and
- (iii) the Foundation would have purchased the services and materials if they had not been contributed

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty of determining their fair value, these contributed services are not recognized in the financial statements.

2. Cash and cash equivalents:

Included in cash and cash equivalents is \$32,331 in an investment savings account with RBC Direct Investing which earns approximately 1.25% annually.

3. Investments:

	2014	2013
Canadian common shares	\$ 47,530	\$ 29,507
Pooled with Community Foundation of Ottawa	836,611	800,201
	<u>\$ 884,141</u>	<u>\$ 829,708</u>

The Foundation has transferred its restricted endowment funds to the Community Foundation of Ottawa for investment. The Foundation shares in the investment results of the Community Foundation of Ottawa. The investment policy provides for up to 10% of the portfolio to be invested in cash and cash equivalents, 30% - 50% in government and corporate bonds, 40% - 65% in equities and 5% - 15% in real estate.

At December 31, 2014 allocation of those investments were 7% in cash and cash equivalents, 31% in government and corporate bonds, 53% in equities and 9% in real estate, life insurance policies and other investments.

Investment income on the endowment funds were as follows:

	2014	2013
Investment earnings on pooled funds	\$ 56,298	\$ 104,281
Less Community Foundation of Ottawa service fee	(7,396)	(6,780)
	<u>\$ 48,902</u>	<u>\$ 97,501</u>

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Notes to Financial Statements

Year ended December 31, 2014

3. Investments (continued):

The above income was recorded as follows:

	2014	2013
Statements of Operations:		
Administration fees on endowments	\$ 9,619	\$ 8,600
Unrestricted investment earnings from pooled investments	8,118	11,107
	17,737	19,707
Statements of Financial Position:		
Deferred contributions for distribution	16,744	17,193
Deferred contribution earnings, reinvested	14,421	60,601
	31,165	77,794
	\$ 48,902	\$ 97,501

4. Deferred contributions:

(a) Restricted donations:

The Foundation has entered into a funding agreement to receive donations which are restricted for signage for the Brock Trails (owned by the City of Brockville).

From time to time the Foundation receives flow through donations, in addition to endowment contributions. These amounts are added to deferred contributions until they are distributed as grants.

Deferred contributions are as follows:

	2014			2013 Total
	Brock Trails	Other	Total	
Balance, beginning of year	\$ 5,347	\$ 249	\$ 5,596	\$ 13,385
Additional contributions	-	-	-	21,687
	5,347	249	5,596	35,072
Less amounts recognized as donation revenue in the year	-	-	-	(29,476)
Balance, end of year	\$ 5,347	\$ 249	\$ 5,596	\$ 5,596

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Notes to Financial Statements

Year ended December 31, 2014

4. Deferred contributions (continued):

(b) For distribution:

Deferred contributions for distribution represent that portion of the restricted investment earnings on endowment funds that are to be distributed in the following year (note 3(b)). When a portion of the previously deferred contributions are distributed as grants, that amount is recognized as revenue in the statement of operations.

	2014	2013
Balance, beginning of year	\$ 30,930	\$ 17,212
Additional contributions	16,744	17,193
Transfer to reinvested earnings (note 4(c))	-	(616)
Less amount recognized as revenue in the year	(29,076)	(2,859)
	\$ 18,598	\$ 30,930

(c) Reinvested earnings:

On an annual basis the Board of Directors directs that a portion of the restricted earnings on endowment investments be reinvested to provide reserves against inflation and lower investment returns.

	2014	2013
Balance, beginning of year	\$ 75,878	\$ 14,660
Additional contributions	14,421	60,602
Transfer from amounts for distribution (note 4(b))	-	616
	\$ 90,299	\$ 75,878

5. Internally restricted investment earnings:

The Board of Directors has internally restricted a portion of the investment earnings from pooled funds for granting in a future year. The balance at the end of the year was \$5,945.

6. Insurance deductible:

During 2011 The Foundation received notice from another party of their intention to commence litigation related to an activity that took place that year. Management and the Board of Directors advised the Foundation's insurer and recorded a provision for a \$1,000 expense, being the amount of the deductible under the liability insurance policy.

During 2013 the Foundation was advised by legal counsel for their insurer that they were not part of the claim and Management reversed the provision in that year.

THE BROCKVILLE COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

7. Financial instruments:

The Foundation's financial instruments consist of cash, investments and accounts payable and accrued liabilities. The significant financial risks to which the Foundation is exposed relating to its financial instruments are credit, interest rate, other price, currency and liquidity risks. The largest financial instrument is the pooled investments with the Ottawa Community Foundation.

That Foundation has adopted investment policies, standards and procedures to control the amount of risk to which it is exposed. The investment practices of that Foundation are designed to avoid undue risk of loss and impairment of assets and to provide a reasonable expectation of fair return given the nature of the investments.

(a) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Foundation is also exposed to credit risk with respect to its cash and the fixed income component of the pooled investments with the Community Foundation of Ottawa.

(b) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The exposure of the Foundation to interest rate risk arises from its interest bearing assets, being cash and fixed income investments within the pooled investments with the Community Foundation of Ottawa.

Generally long terms to maturity cause an increase in interest rate risk. The terms to maturity of the fixed income investments of the Community Foundation of Ottawa are 10% less than one year, 22% one to three years, 30% three to five years, 17% five to seven years and 21% over seven years.

(c) Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market prices (other than changes arising from interest rate risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all similar instruments traded in the market.

The Foundation is exposed to other price risk due to its investments (including those within the pooled investments with the Community Foundation of Ottawa).

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Notes to Financial Statements

Year ended December 31, 2014

7. Financial instruments (continued):

(d) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates.

Some of the pooled investments with the Ottawa Community Foundation are non-Canadian investments. At December 31, 2014, 34% of the carrying value of the pooled investments were subject to currency risk. That Foundation manages that risk through hedging a portion of the non-Canadian equities.