

**The Brockville Community Foundation
Financial Statements**

Year ended December 31, 2016

Independent Auditors' Report

To the Members of The Brockville Community Foundation

We have audited the accompanying financial statements of The Brockville Community Foundation, which comprise the statement of financial position as at December 31 2016, 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.

Auditors' 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 The Brockville Community Foundation and we were not able to determine whether any adjustments might be necessary to donation revenues, excess of revenue over expenses, and cash flows from operations for the years ended December 31, 2016 and 2015, current assets as at December 31, 2016 and 2015, and unrestricted net assets as at January 1 and December 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended December 31, 2015 was modified accordingly because of the possible effects of this limitation in scope.

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 December 31, 2016, 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, Canadian accounting standards for not-for-profit organizations have been applied on a basis consistent with that of the preceding year.

MNP LLP

Brockville, Ontario

June 21, 2017

Chartered Professional Accountants

Licensed Public Accountants

The Brockville Community Foundation
Statement of Financial Position

December 31, 2016, with comparative figures for 2015

	2016	2015
Assets		
Current assets		
Cash	\$ 48,947	\$ 51,176
Commodity taxes recoverable	91	468
Prepaid expense	1,708	1,680
	50,746	53,324
Investments (Note 2)	941,348	916,809
Computer equipment	2,043	2,043
Less accumulated amortization	2,043	2,043
	-	-
	\$ 992,094	\$ 970,133

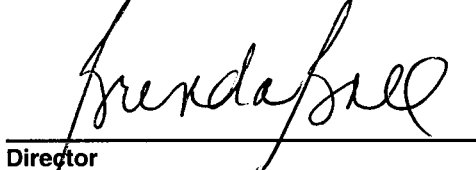
Liabilities and Net Assets

Current liabilities		
Government remittances payable	\$ 196	\$ 835
Deferred contributions (Note 3)	124,722	115,658
	124,918	116,493
Net assets		
Endowments	742,919	733,092
Internally restricted investment earnings (Note 5)	2,931	8,572
Unrestricted	121,326	111,976
	867,176	853,640
	\$ 992,094	\$ 970,133

Approved by the Board:



 Director



 Director

The accompanying notes are an integral part of these financial statements

The Brockville Community Foundation

Statement of Operations

Year ended December 31, 2016, with comparative figures for 2015

	2016	2015
Revenue		
Donations	\$ 3,961	\$ 49,094
Administration fees on endowments (note 2)	10,931	10,174
Dividends and interest	1,615	1,998
Recognition of prior year investment earnings from pooled investments (note 3(b))	22,450	17,951
Unrestricted investment earnings from pooled investments (note 2)	4,076	2,453
Donated professional services	4,200	4,000
Program and recoveries	64	91
Unrealized gain (loss) on investment in shares	7,151	(1,874)
	54,448	83,887
Expenses		
Grants	31,204	78,851
Program costs	115	1,664
Salary and benefits	9,706	3,003
Telephone and internet	1,386	1,651
Memberships and conference	550	550
Printing and office	1,331	1,886
Bank charges	48	45
Insurance	2,099	2,045
Outside service contract	-	307
Advertising and promotion	100	185
Professional fees	4,200	4,000
Professional development	-	50
	50,739	94,237
Excess of revenue over expenses (expenses over revenue)	\$ 3,709	\$ (10,350)

The accompanying notes are an integral part of these financial statements

The Brockville Community Foundation Statement of Changes in Net Assets

Year ended December 31, 2016, with comparative figures for 2015

Year ended December 31, 2016	Restricted endowments	Internally restricted investment earnings	Unrestricted	Total
Balance, beginning of year	\$ 733,092	\$ 8,572	\$ 111,976	\$ 853,640
Endowments received	9,827	-	-	9,827
Excess of revenue over expenses	-	-	3,709	3,709
Transfer (Note 5)	-	(5,641)	5,641	-
Balance, end of year	\$ 742,919	\$ 2,931	\$ 121,326	\$ 867,176

Year ended December 31, 2015	Restricted endowments	Internally restricted investment earnings	Unrestricted	Total
Balance, beginning of year	\$ 713,363	\$ 5,945	\$ 124,953	\$ 844,261
Endowments received	27,297	-	-	27,297
Endowment returned (Note 4)	(7,568)	-	-	(7,568)
Excess of revenue over expenses (expenses over revenue)	-	-	(10,350)	(10,350)
Transfer (Note 5)	-	2,627	(2,627)	-
Balance, end of year	\$ 733,092	\$ 8,572	\$ 111,976	\$ 853,640

The accompanying notes are an integral part of these financial statements

The Brockville Community Foundation

Statement of Cash Flows

Year ended December 31, 2016, with comparative figures for 2015

	2016	2015
Cash provided by (used for) the following activities		
Operating activities		
Donations received	\$ 7,797	\$ 49,094
Investment income received	1,615	2,861
Other receipts from programs	64	-
Grants paid	(31,204)	(78,851)
Other amounts paid to employees and suppliers	(15,625)	(11,301)
	(37,353)	(38,197)
Investing activities		
Additions to pooled investment	(9,827)	(40,857)
Cash received from pooled investments	35,124	37,116
	25,297	(3,741)
Financing activities		
Endowments received	9,827	27,297
Endowment returned (note 4)	-	(7,568)
	9,827	19,729
Decrease in cash	(2,229)	(22,209)
Cash resources, beginning of year	51,176	73,385
Cash resources, end of year	\$ 48,947	\$ 51,176

Cash is comprised of cash on hand and accounts with banks excluding cash held by the investment custodian.

The accompanying notes are an integral part of these financial statements

The Brockville Community Foundation

Notes to Financial Statements

Year ended December 31, 2016

The 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 paragraph 149(1)(f) of the Income Tax Act and is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

1. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations set out in Part III of the CPA Canada Handbook – Accounting, as issued by the Accounting Standards Board of Canada.

Revenue recognition

The Foundation follows the deferral method of accounting for contributions, which includes donations.

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 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.

Administration fees are determined as a percentage of investment income and are recognized when the related investment income is received or receivable.

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation 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.

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, 2016

1. Significant accounting policies (continued)

Contributed services and materials

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.

2. Investments

	2016	2015
Canadian common shares	\$ 38,469	\$ 31,318
Pooled with Community Foundation of Ottawa	902,879	885,491
Balance, end of year	\$ 941,348	\$ 916,809

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, 2016 allocation of those investments were 12% in cash and cash equivalents, 28% in government and corporate bonds, 49% in equities and 11% in real estate, life insurance policies and other investments.

Investment income on the endowment funds were as follows:

	2016	2015
Investment earnings on pooled funds	\$ 51,132	\$ 39,632
Less Community Foundation of Ottawa service fee	(8,447)	(8,003)
	\$ 42,685	\$ 31,629

The Brockville Community Foundation

Notes to Financial Statements

Year ended December 31, 2016

2. Investments (continued)

The above income was recorded as follows:

	2016	2015
Statements of Operations:		
Administration fees on endowments	\$ 10,931	\$ 10,174
Unrestricted investment earnings from pooled investments	4,076	2,453
	15,007	12,627
Statement of Financial Position:		
Externally restricted investment earnings (note 3(b))	27,678	19,002
	\$ 42,685	\$ 31,629

3. Deferred contributions

Deferred contributions consist of the following:

	2016	2015
Restricted donations (note 3(a))	\$ 8,683	\$ 4,847
Restricted investment earnings:		
For granting (note 3(b))	20,387	23,765
Reinvested (note 3(c))	95,652	87,046
	\$ 124,722	\$ 115,658

(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).

The Foundation received donations during 2016 which are to be granted to qualified donees during 2017 as part of the "Canada 150" celebrations.

Deferred contributions are as follows:

	2016			2015 Total
	Brock Trails	Canada 150	Total	
Balance, beginning of year	\$ 4,847	\$ -	\$ 4,847	\$ 5,596
Additional contributions	-	4,090	4,090	-
Less amounts recognized as donation revenue in the year	(254)	-	(254)	(749)
Balance, end of year	\$ 4,593	\$ 4,090	\$ 8,683	\$ 4,847

The Brockville Community Foundation

Notes to Financial Statements

Year ended December 31, 2016

3. Deferred contributions (continued)

(b) For granting:

On an annual basis the Foundation determines the portion of the restricted investment earnings on endowment funds that are to be distributed in the following year. When a portion of the previously deferred contributions are distributed as grants, that amount is recognized as revenue in the statement of operations.

	2016	2015
Balance, beginning of year	\$ 23,765	\$ 18,598
Transfer from reinvested earnings (note 3(c))	19,072	23,118
Less amount recognized as revenue in the year	(22,450)	(17,951)
	\$ 20,387	\$ 23,765

(c) Reinvested earnings:

The portion of the restricted earnings on endowment investments that is not being distributed in the following year is reinvested to provide reserves against inflation and lower investment returns.

	2016	2015
Balance, beginning of year	\$ 87,046	\$ 90,299
Externally restricted investment earnings on pooled funds	27,678	19,002
Gain from sale of shares	-	863
Transfer to amounts for distribution (note 3(b))	(19,072)	(23,118)
	\$ 95,652	\$ 87,046

4. Endowment returned

The YMCA Endowment Fund was terminated during 2015 at the request of the Brockville Young Men's Christian Association (the "Association") and the fund was returned to the Association for contribution to the Brockville & Area Young Men's Christian Association Foundation.

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 \$2,859 (2015 - \$8,572).

The Brockville Community Foundation

Notes to Financial Statements

Year ended December 31, 2016

6. Financial instruments

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 Community Foundation of Ottawa.

The 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. At December 31, 2016, 97% of the government and corporate bonds of the Community Foundation of Ottawa had a rating of A- or better.

(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 1% less than one year, 21% one to three years, 29% three to five years, 20% five to seven years and 29% 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).

(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, 2016, 30% of the carrying value of the pooled investments were subject to currency risk.

The Brockville Community Foundation

Notes to Financial Statements

Year ended December 31, 2016

6. Financial instruments (continued)

(e) Changes in risk:

There have been no significant changes in the Foundation's risk exposures from the prior year.