

Community Foundations of Canada
Financial Statements
For the year ended December 31, 2018

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Changes in Fund Balances	5
Statement of Operations	6
Statement of Cash Flows	7
Notes to Financial Statements	8 - 15

Independent Auditor's Report

To the members of
Community Foundations of Canada

Opinion

We have audited the accompanying financial statements of Community Foundations of Canada, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Community Foundations of Canada as at December 31, 2018, 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.

Basis for Opinion

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 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.

Other Matter

We draw attention to Note 10 to the financial statements, which explains that certain comparative information presented for December 31, 2017 has been restated. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance 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.

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.

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 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 organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

BDO Canada LLP

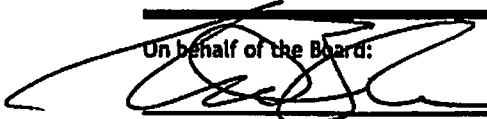
Chartered Professional Accountants, Licensed Public Accountants

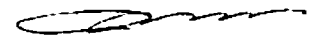
Ottawa, Ontario
April 18, 2019

Community Foundations of Canada Statement of Financial Position

December 31	2018	2017
		Restated - Note 10
Assets		
Current		
Cash	\$ 6,260,016	\$ 3,257,941
Investments (Note 2)	1,402,930	1,060,431
Accounts receivable	396,259	379,231
Prepaid expenses	136,272	36,446
	<u>8,195,477</u>	<u>4,734,049</u>
Investments (Note 2)	12,435,364	12,425,211
Tangible capital assets (Note 3)	631,162	696,618
Restricted cash (Note 2)	94,741	94,741
	<u>\$ 21,356,744</u>	<u>\$ 17,950,619</u>
Liabilities and Fund Balances		
Current		
Accounts payable and accrued liabilities	\$ 183,934	\$ 3,123,019
Deferred revenues	-	26,637
Queen Elizabeth II Diamond Jubilee Scholarships Program deferred contributions (Note 6)	6,131,936	165,607
Betsy Martin deferred contributions (Note 6)	-	400,000
Flourishing Leadership Trust deferred contributions (Note 6)	528,935	600,000
Other deferred contributions (Note 6)	1,669,362	874,351
	<u>8,514,167</u>	<u>5,189,614</u>
Leasehold Inducement	186,935	206,682
	<u>8,701,102</u>	<u>5,396,296</u>
Contractual obligations (Note 7)		
Fund Balances		
Restricted for endowment purposes	12,461,309	12,460,259
Internally restricted	68,796	59,693
Unrestricted - operations	125,537	34,371
	<u>12,655,642</u>	<u>12,554,323</u>
	<u>\$ 21,356,744</u>	<u>\$ 17,950,619</u>

On behalf of the Board:

 Director

 Director

The notes are an integral part of these financial statements.

Community Foundations of Canada Statement of Changes in Fund Balances

For the year ended December 31	Unrestricted - operations	Value initiatives	Internally restricted	Restricted for endowment purposes	2018	2017
						Restated - Note 10
Balance, beginning of the year as previously stated	\$ 34,371	\$ -	\$ 59,693	\$ 13,460,259	\$ 13,554,323	\$ 13,017,971
Correction of error (Note 10)	-	-	-	(1,000,000)	(1,000,000)	(400,000)
Balance, beginning of the year restated	34,371	-	59,693	12,460,259	12,554,323	12,617,971
Excess (deficiency) of revenues over expenses	(470,607)	570,876	-	-	100,269	(66,155)
Endowment contributions	-	-	-	1,050	1,050	2,507
Interfund transfers (Note 8)	561,773	(570,876)	9,103	-	-	-
Balance, end of the year	\$ 125,537	\$ -	\$ 68,796	\$ 12,461,309	\$ 12,655,642	\$ 12,554,323

The notes are an integral part of these financial statements.

Community Foundations of Canada Statement of Operations

For the year ended December 31	Operations		Value Initiatives		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Donations, grants and sponsorships	\$ 424,141	\$ 875,646	\$ 10,499,030	\$ 17,915,426	\$ 10,923,171	\$ 18,791,072
Membership support	1,228,730	1,193,904	-	-	1,228,730	1,193,904
Interest and other revenue (expense)	84,113	39,461	(59,063)	932,245	25,050	971,706
Registration and fees	106,263	401,593	6,350	630	112,613	402,223
	<u>1,843,247</u>	<u>2,510,604</u>	<u>10,446,317</u>	<u>18,848,301</u>	<u>12,289,564</u>	<u>21,358,905</u>
Expenses						
Amortization of tangible capital assets	84,512	92,534	-	-	84,512	92,534
Board meetings	96,236	86,186	30,770	-	127,006	86,186
Consultants and professional fees	530,964	701,263	23,133	27,981	554,097	729,244
Foundation development	58,836	279,415	282	10,000	59,118	289,415
Fundraising	362	17,142	-	-	362	17,142
Office and administration	200,104	238,306	-	-	200,104	238,306
Professional development	61,053	47,579	-	-	61,053	47,579
Program costs	267,685	387,436	8,443,593	17,019,119	8,711,278	17,406,555
Public engagement	40,138	16,201	-	-	40,138	16,201
Salaries and benefits	876,084	827,959	1,377,663	1,438,701	2,253,747	2,266,660
Travel	97,880	235,238	-	-	97,880	235,238
	<u>2,313,854</u>	<u>2,929,259</u>	<u>9,875,441</u>	<u>18,495,801</u>	<u>12,189,295</u>	<u>21,425,060</u>
Excess (deficiency) of revenues over expenses	<u>\$ (470,607)</u>	<u>\$ (418,655)</u>	<u>\$ 570,876</u>	<u>\$ 352,500</u>	<u>\$ 100,269</u>	<u>\$ (66,155)</u>

The notes are an integral part of these financial statements.

Community Foundations of Canada Statement of Cash Flows

For the year ended December 31	2018	2017
		Restated - Note 10
Cash flows from operating activities		
Excess (deficiency) of revenues over expenses	\$ 100,269	\$ (66,155)
Items not affecting cash:		
Amortization of tangible capital assets	84,512	92,534
Amortization of leasehold inducement	(19,747)	(26,930)
Foreign exchange gain on cash held in foreign currency	-	47,940
	<u>165,034</u>	<u>47,389</u>
Changes in non-cash working capital:		
Accounts receivable	(17,028)	(66,912)
Prepaid expenses	(99,826)	15,040
Accounts payable and accrued liabilities	(2,939,085)	2,855,499
Deferred revenues	(26,637)	26,637
	<u>(2,917,542)</u>	<u>2,877,653</u>
Cash flows from investing activities		
Acquisition of investments	(529,813)	(889,343)
Proceeds on disposal of investments	177,161	6,146,062
Acquisition of tangible capital assets	(19,056)	(718,968)
Increase in restricted cash	-	(94,741)
	<u>(371,708)</u>	<u>4,443,010</u>
Cash flows from financing activities		
Change in deferred contributions	6,290,275	(8,857,048)
Endowment contributions	1,050	2,507
Leasehold inducement received	-	221,445
	<u>6,291,325</u>	<u>(8,633,096)</u>
Other activity		
Foreign exchange loss on cash held in foreign currency	-	(47,940)
Net increase (decrease) in cash	3,002,075	(1,360,373)
Cash, beginning of the year	<u>3,257,941</u>	<u>4,618,314</u>
Cash, end of the year	<u>\$ 6,260,016</u>	<u>\$ 3,257,941</u>

Community Foundations of Canada

Notes to Financial Statements

December 31, 2018

1. Accounting Policies

Purpose of Organization	Community Foundations of Canada is a not-for-profit organization incorporated without share capital under the Canada Not-for-profit Corporations Act. The organization's purpose is to build stronger communities by enhancing the philanthropic leadership of community foundations. The organization is a registered charity under the Income Tax Act and, as such, is exempt from income taxes and may issue income tax receipts to donors.
Basis of Accounting	The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.
Use of Estimates	The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the year covered. The main estimates relate to fair value of investments and useful lives of tangible capital assets.
Fund Accounting	<p>The Operations Fund includes the revenues and expenses of the core operations.</p> <p>The Value Initiatives Fund includes the revenues and expenses of separately funded programs.</p> <p>The Endowment Fund reports resources contributed for the Betsy Martin endowment, Queen Elizabeth II Diamond Jubilee Scholarships Program endowment and other endowments. Investment income earned on resources of the Queen Elizabeth II Diamond Jubilee Scholarships Program endowment is reported in the Value Initiatives Fund as it is restricted for bursaries based on the endowment agreement. Investment income earned on resources of the Betsy Martin endowment and other endowments is reported in the Operations Fund.</p> <p>The Internally Restricted Fund includes investment income restricted by the Board of Directors motion.</p>

Community Foundations of Canada

Notes to Financial Statements

December 31, 2018

1. Accounting Policies (Continued)

Revenue Recognition The organization follows the deferral method of accounting for contributions including donations and sponsorships. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. 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.

Endowment contributions are recognized as direct increases in the Endowment Fund.

Registration and fees are recognized as revenue when the seminars and conferences are held.

Membership support is recognized as revenue proportionately over the year to which they relate.

Financial Instruments Initial and subsequent measurement
The organization initially measures its financial assets and liabilities at fair value. The organization subsequently measures all its financial assets and liabilities at amortized cost, except for cash and investments, which are measured at fair value. Changes in fair value of these financial instruments are recognized in the statement of operations.

Impairment
Financial assets measured at amortized cost are tested for impairment when there are indicators of impairment.

Transaction costs
The organization recognizes its transaction costs in the statement of operations in the year incurred for financial instruments measured at fair value. Financial instruments that are subsequently measured at amortized cost are adjusted by the transaction costs in the initial measurement of the asset or liability.

Community Foundations of Canada Notes to Financial Statements

December 31, 2018

1. Accounting Policies (Continued)

Tangible Capital Assets	<p>Tangible capital assets are stated at cost less accumulated amortization. Amortization is provided on the basis of their useful lives using the following methods and annual rates:</p> <table><tr><td>Computer equipment</td><td>33% diminishing balance basis</td></tr><tr><td>Furniture</td><td>20% diminishing balance basis</td></tr><tr><td>Software</td><td>50% diminishing balance basis</td></tr><tr><td>Leasehold improvements</td><td>Straight-line over the term of the lease</td></tr></table>	Computer equipment	33% diminishing balance basis	Furniture	20% diminishing balance basis	Software	50% diminishing balance basis	Leasehold improvements	Straight-line over the term of the lease
Computer equipment	33% diminishing balance basis								
Furniture	20% diminishing balance basis								
Software	50% diminishing balance basis								
Leasehold improvements	Straight-line over the term of the lease								
Impairment of Tangible Capital Assets	<p>When a tangible capital asset no longer has any long-term service potential to the organization, the excess of its net carrying amount over any residual value is recognized as an expense in the statement of operations.</p>								
Contributed Materials and Services	<p>Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.</p>								
Conference and Summit Expenses	<p>Conference and summit expenses are recognized as expenses in the year the services or goods are received by the organization. As such, timing of revenues and expenses might not be in the same year.</p>								

Community Foundations of Canada
Notes to Financial Statements

December 31, 2018

2. Investments

	2018	2017
		Restated - Note 10
Cash, short-term deposits and money market fund	\$ 367,424	\$ 396,163
Canadian fixed income	4,218,133	4,129,417
Canadian equity	3,861,062	4,436,749
US equity	5,391,675	4,523,313
	13,838,294	13,485,642
Less restricted investments:		
Queen Elizabeth II Diamond Jubilee Scholarships Program Endowment	12,000,000	12,000,000
Other Endowments	366,568	365,518
Internally restricted	68,796	59,693
	12,435,364	12,425,211
	\$ 1,402,930	\$ 1,060,431

In addition, \$94,741 (2017 - \$94,741) of cash is restricted for the Betsy Martin Endowment fund.

3. Tangible Capital Assets

	2018		2017	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	\$ 108,089	\$ 84,325	\$ 94,802	\$ 76,605
Furniture	198,767	90,333	193,705	66,174
Software	3,055	3,055	3,055	3,055
Leasehold improvements	592,826	93,862	592,119	41,229
	\$ 902,737	\$ 271,575	\$ 883,681	\$ 187,063
Net value		\$ 631,162		\$ 696,618

Community Foundations of Canada Notes to Financial Statements

December 31, 2018

4. Due from / Due to Related Parties and Related Party Transactions

During the year, the organization exercised significant influence over the Rideau Hall Foundation due to the sharing of key management personnel. The organization provided managerial services for the Rideau Hall Foundation. During the year, the organization charged the Rideau Hall Foundation a total of \$50,000 (2017 - \$95,000) for these services. The organization received donations of \$nil (2017 - \$10,000) from the Rideau Hall Foundation and grants of \$7,500,000 (2017 - \$1,200,000). At year end, an amount of \$721 (2017 - \$44,628) was included in accounts receivable.

Related party transactions in the normal course of operations are recorded at the exchange amount.

5. Line of Credit

The organization has an authorized operating line of credit of \$250,000 that is due on demand and bears interest at the bank's prime rate plus 2%, calculated and payable monthly. It is secured by a general security agreement covering all assets. At December 31, 2018, the organization had undrawn credit capacity under this facility of \$250,000.

Community Foundations of Canada
Notes to Financial Statements

December 31, 2018

6. Deferred Contributions

Deferred contributions represent funds received in the current year to cover operating expenses in the subsequent year. The variations in the balance of deferred contributions is as follows:

a) Queen Elizabeth II Diamond Jubilee Scholarships Program deferred contributions:

	2018	2017
Balance, beginning of the year	\$ 165,607	\$ 8,042,753
Plus: amounts received during the year	14,653,971	2,603,911
Less: amounts recognized as revenue in the year	(8,687,642)	(10,481,057)
Balance, end of the year	\$ 6,131,936	\$ 165,607

b) Betsy Martin deferred contributions:

	2018	2017
Balance, beginning of year	\$ 400,000	\$ 400,000
Less: amounts recognized as revenue in the year	(400,000)	-
Balance, end of year	\$ -	\$ 400,000

c) Flourishing Leadership Trust deferred contributions:

	2018	2017
Balance, beginning of year	\$ 600,000	\$ -
Plus: amounts received during the year	-	600,000
Less: amounts recognized as revenue in the year	(71,065)	-
Balance, end of year	\$ 528,935	\$ 600,000

d) Other deferred contributions:

	2018	2017
Balance, beginning of the year	\$ 874,351	\$ 2,454,254
Plus: amounts received during the year	2,559,475	6,730,112
Less: amounts recognized as revenue in the year	(1,764,464)	(8,310,015)
Balance, end of the year	\$ 1,669,362	\$ 874,351

Community Foundations of Canada Notes to Financial Statements

December 31, 2018

7. Contractual Obligations

The organization leases its premises under a lease expiring in March 2027. Future minimum payments for the lease and leasehold improvements total \$3,777,005 and include the following payments over the next five years:

2019	\$	776,193
2020	\$	391,805
2021	\$	405,882
2022	\$	413,664
2023	\$	419,864

The organization has entered into a hotel and a conference room agreements for 2019 for which the organization would be subject to cancellation fees totaling \$ 269,333.

8. Interfund Transfers

The Board of Directors has approved the transfer of the revenue earned on the Global Framework endowment and other endowments of \$9,103 (2017 - \$3,818) to the Internally Restricted Fund. These restricted amounts are not available for any other purpose without approval of the Board of directors.

The excess of revenues over expenses of \$570,876 (2017 - \$352,500) in the Value Initiatives Fund was transferred to the Operations Fund.

9. Financial Instruments

Credit risk

The organization is exposed to credit risk with respect to accounts receivable. On a continuous basis, the organization assesses its accounts receivable and will set up an appropriate allowance for doubtful accounts when needed.

Interest rate risk

The organization is exposed to interest rate risk on its fixed and variable interest rate financial instruments. Fixed interest instruments subject the organization to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Variable rate instruments subject the organization to a related cash flow risk.

Other price risk

The organization is exposed to other price risk through its investments in listed shares for which the value fluctuates with the quoted market price.

Community Foundations of Canada
Notes to Financial Statements

December 31, 2018

10. Correction of Error

During the year, the organization determined that two funds which they believed were Endowment Funds were treated incorrectly and should have been presented under deferred contributions. Due to this correction of error, the accounts described below in the financial statements were corrected as follows:

Statement of financial position as at December 31, 2017

Increase in cash	\$ 400,000
Decrease in restricted cash	\$ (400,000)
Increase in Betsy Martin deferred contributions	\$ 400,000
Increase in Flourishing Leadership Trust deferred contributions	\$ 600,000
Decrease in fund balances	\$ (1,000,000)

Statement of changes in fund balances for the year ended December 31, 2017

Decrease in balance, beginning of the year	\$ (400,000)
--	--------------