

Brant Community Foundation Inc.
Financial Statements
For the year ended May 31, 2014

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Independent Auditor's Report

To the Directors of
Brant Community Foundation Inc.

We have audited the financial statements of Brant Community Foundation Inc., which comprise the statement of financial position as at May 31, 2014 and the statements of revenues, expenses and change 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 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 qualified opinion.

Basis for Qualified Opinion

In common with many charitable organizations, the entity derives revenue from contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly our verification of these revenues was limited to the amounts recorded in the records of the organization. We were unable to determine whether any adjustments might be necessary to revenues, excess of revenue over expense, assets and fund balances.

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 Brant Community Foundation Inc. as at May 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.

A handwritten signature in black ink that reads 'BDO CANADA LLP'. The letters are cursive and somewhat stylized.

Chartered Accountants, Licensed Public Accountants

Brantford, Ontario
September 19, 2014

**Brant Community Foundation Inc.
Statement of Financial Position**

As at May 31	2014	2013
Assets		
Current		
Cash (Note 2)	\$ 56,733	\$ 71,899
Other receivable	12,073	6,796
Service fee receivable	75,380	53,662
Prepaid expenses	3,834	3,776
	148,020	136,133
Restricted cash - endowment funds (Note 3)	1,022,126	503,068
Restricted cash - investment and reserve funds (Note 3)	60,000	60,000
Investments (Note 4)	7,805,593	6,560,867
	\$ 9,035,739	\$ 7,260,068

Liabilities and Fund Balances

Current		
Accounts payable and accrued liabilities (Note 5)	\$ 4,906	\$ 4,685
Deferred revenue (Note 8)	40,831	29,165
	45,737	33,850
Fund Balances		
Endowment funds		
Field of Interest Funds	2,389,206	2,250,382
Donor Designated Funds	1,420,583	1,333,582
Non Designated Funds	5,017,930	3,479,971
	8,827,719	7,063,935
Investment fund (Note 3)	30,000	30,000
Reserve fund (Note 3)	30,000	30,000
Operating fund	102,283	102,283
	8,990,002	7,226,218
	\$ 9,035,739	\$ 7,260,068

On behalf of the Board:

_____, Director

_____, Director

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

Brant Community Foundation Inc.
Statement of Revenues, Expenses and Changes in Fund Balances

<i>For the year ended May 31</i>	2014	2013
Revenue		
Investment income	\$ 269,019	\$ 289,447
Realized gain (loss) on investments	(69,732)	39,302
Unrealized gain on investments	440,084	344,902
Foreign exchange gain (loss)	88,289	(18,390)
Contributions	1,469,053	693,517
Services	181,889	153,926
Fundraising	18,862	15,072
	<u>2,397,464</u>	<u>1,517,776</u>
Expenses		
Grants and Leadership Projects	306,347	199,157
Fund management	123,618	103,526
Administration - Schedule	156,936	128,436
Investment fees	46,779	40,116
	<u>633,680</u>	<u>471,235</u>
Excess of revenue over expenses for the year	1,763,784	1,046,544
Fund balances, beginning of year	<u>7,226,218</u>	<u>6,179,677</u>
Fund balances, end of year	<u>\$ 8,990,002</u>	<u>\$ 7,226,218</u>

**Brant Community Foundation Inc.
Statement of Cash Flows**

For the year ended May 31	2014	2013
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 1,763,784	\$ 1,046,544
Foreign exchange gain on cash and cash equivalents held in foreign currency	(4,028)	(377)
Unrealized foreign exchange loss on investments	-	-
Transfer to reserve fund	-	(30,000)
Transfer to investment fund	-	(30,000)
Changes in non-cash working capital balances		
Other receivable	(5,277)	(3,012)
Service fee receivable	(21,718)	(53,662)
Accounts payable and accrued liabilities	221	632
Deferred revenue	11,666	-
Prepaid expenses	(58)	(1,382)
	<u>1,744,590</u>	<u>928,743</u>
Investing activities		
Change in investments	(1,244,726)	(1,206,748)
Restricted cash in investment account	(519,058)	(503,068)
	<u>(1,763,784)</u>	<u>(1,709,816)</u>
Foreign exchange gain on cash and cash equivalents held in foreign currency	<u>4,028</u>	<u>377</u>
Decrease in cash during the year	(15,166)	(780,696)
Cash, beginning of year	<u>71,899</u>	<u>852,595</u>
Cash, end of year	<u>\$ 56,733</u>	<u>\$ 71,899</u>

Brant Community Foundation Inc. Notes to the Financial Statements

May 31, 2014

1. Summary of Significant Accounting Policies

Nature of Organization

Brant Community Foundation Inc. (the "Foundation") was incorporated without share capital. The purpose of the Foundation is to act as a community leader and catalyst and to be a vehicle to provide a way for donors to improve their community forever by building and holding a permanent endowment, the income of which is to be used to meet the changing needs and opportunities across all sectors of the communities of Brantford and Brant County through grant making and community leadership projects.

The Foundation is a public foundation registered 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.

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for that purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

i) Endowment Funds

The endowment funds report resources that are required to be maintained by the Foundation on a permanent basis. The major components of these funds are:

a) Field of Interest Funds - the donors specify the area of interest where they wish to direct grants. The major components of this fund are the Sheridan Place Fund, the Ontario Endowment Fund for Children and Youth in Recreation, Arts and Culture Fund and the Environment Fund; and

b) Donor Designated Funds - the donor chooses a specific charity to be the perpetual beneficiary of the income from their fund. The major components of this fund are the D.A.R.E. Fund, Glenhurst Art Gallery Fund, Brantford Symphony Orchestra Fund, Canadian Military Heritage Museum Fund and the 56th Field Artillery Regiment RCA Senate fund; and

Brant Community Foundation Inc. Notes to the Financial Statements

May 31, 2014

Fund Accounting (cont'd)

c) Non-Designated Funds - reports resources that are available for which no purpose was specified by the Donor or the Foundation's Board of Directors. The major components of this fund are the Bill and Dorothy Campbell Fund, the John and Leah Huigenbos Fund, the Terry and Joan Stewart Fund, the Donald and JoAnne Wilkin Fund, the City of Brantford Mayors Fund, the Calbeck Family Memorial Fund and an Anonymous Donor Fund.

ii) Operating Fund

The Operating fund reports resources available for the Foundation's general operating activities. These activities include asset development, grantmaking and philanthropic services to the community. The general costs of supporting these activities are reported as expenses in the Operating fund.

iii) Reserve Fund

The reserve fund is an internal restriction to provide contingency funds to cover a major shortfall in operating revenues.

iv) Investment fund

The investment fund is an internal restriction to provide contingency funds to counter market fluctuations.

Revenue Recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

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.

Contributions for endowment are recognized as revenue in the Endowment fund.

Brant Community Foundation Inc. Notes to the Financial Statements

May 31, 2014

Investment Income

The assets held by the Foundation are pooled for investment purposes. The investment income is recognized as revenue when earned and allocated to the Endowment and Operating funds as follows:

(i) Endowment

a) Field of Interest Funds

- Income earned on funds which the donor has stipulated the income be added to principal or that must be spent on donor designated fields of interest; and
- Income equal to the amount required to preserve the purchasing power of the endowed capital as determined by the Foundation's Board of Directors.

b) Donor Designated Funds

- Income earned on resources of these funds that must be spent on donor designated fields of interest; and
- Income earned to the amount determined by the Board and/or the donor to be available for granting purposes.

c) Non Designated Funds

- Income earned on resources of the Non Designated funds.

(ii) Operating fund

- Income earned on the assets held in the Operating fund; and,
- Income earned on funds which the donor has stipulated the income be used for operations; and,
- An amount equal to the aggregate of the administrative fee charged to each Endowed and Managed fund.

Contributed goods and services

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.

Brant Community Foundation Inc. Notes to the Financial Statements

May 31, 2014

Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and may have impact on future periods.

Financial Instruments

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market and derivatives 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. 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. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the balance sheet date.

Expense Allocation

The Foundation incurs a number of general and administrative support expenses that are common to the administration of the Funds.

The allocation of the general and administrative support expenses are in accordance with an agreement with the donors.

Brant Community Foundation Inc. Notes to the Financial Statements

May 31, 2014

2. Cash

The Foundation's bank accounts are held at one chartered bank. The bank account is non-interest bearing. The cash in investment account balance includes \$87,710 (2013 - \$205,643) denominated in US dollars.

3. Restricted Funds

Reserve Fund

The board of directors of Brant Community Foundation has implemented a policy to establish a restricted reserve fund to maintain operational and financial stability. The restricted reserve fund is available as a contingency reserve to cover unexpected significant financial events, including but not limited to a major shortfall in operating revenues or unexpected necessary expenditures. The use of the restricted reserve fund is at the discretion of the board of directors.

Endowment Funds

At year end, the Board of Directors approved a transfer of \$45,906 from the Operating Fund to each of the Endowment funds; Field of Interest, Donor Designated, and Non-Donor Designated for \$13,313, \$8,263 and \$24,330 respectively.

Investment Fund

The board of directors of Brant Community Foundation has implemented a policy to establish a restricted investment fund. The restricted investment fund is available as a contingency reserve to cover market fluctuations. The use of the restricted reserve fund is at the discretion of the board of directors.

4. Investments

	2014	2013
Government of Canada Bonds	\$ 143,488	\$ 298,683
Corporate Bonds	2,028,811	1,773,009
Common Shares	5,277,681	3,958,875
Preferred Shares	309,959	419,933
Other	45,654	110,367
	<u>\$ 7,805,593</u>	<u>6,560,867</u>

The Government of Canada bond has a cost of \$150,892 (2013 - \$308,591) and effective interest rate of 5% (2013 - 5% to 5.25%) per annum. This investment will mature June 2014.

The corporate bonds have a cost of \$1,984,031 (2013 - \$1,729,098) and effective interest rates of 2.2% to 7.1% (2013 - 1.45% to 7.1%) per annum. These investments will mature between December 2014 and December 2026.

Brant Community Foundation Inc. Notes to the Financial Statements

May 31, 2014

Investments (Continued)

The common shares consist of Canadian and U.S. equities. The balance includes \$1,452,284 denominated in US dollars. The common shares have a cost of \$4,463,067 (2013 - \$3,602,081). The shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis.

The preferred shares have a cost of \$302,916 (2013 - \$409,427). The preferred dividend yields range from 4.5%-6.5% (2013 - 4.75%-6.5%) per annum.

5. Accounts payable and accrued liabilities

The government remittances payable at the year end was \$1,901 (2013 - \$1,680).

6. Financial Instrument Risk Exposure and Management

Management has established policies and procedures to manage risks related to financial instruments, with the objective of minimizing any adverse effects on financial performance. A brief description of management's assessments of these risks is as follows:

(a) General Objective, Policies and Processes:

The Board and management are responsible for the determination of the Foundation's risk management objectives and policies and designing operating processes that ensure the effective implementation of the objectives and policies. In general, the Foundation measures and monitors risk through the preparation and review of monthly reports by management.

(b) Interest Rate Risk:

The Foundation is exposed to interest rate risk arising from fluctuations in interest rates depending on prevailing rates at renewal of investments. To manage interest rate exposure, the Foundation invests in fixed income vehicles backed by the federal and provincial governments as well as chartered banks.

(c) Liquidity Risk:

Liquidity risk is the risk the Foundation will not be able to meet its financial obligations as they come due. The Foundation has taken steps to ensure that it will have sufficient working capital available to meet its obligations.

(d) Foreign Exchange Risk:

The Foundation is exposed to currency risk through holdings of investments in foreign currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value and future cash flows of these investments.

**Brant Community Foundation Inc.
Notes to the Financial Statements**

May 31, 2014

7. Related Party Transactions

Contributions include \$25,938 (2013 - \$3,015) of donations from its directors. These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

8. Deferred Revenue

Deferred revenue represent restricted operating funding received in the current period that is related to a subsequent period.

9. Commitment

The Foundation has signed a rental agreement for two years, with an option to extend to a third year, in which the fee increases by 3% each year. One year is remaining in the rental agreement.

10. Comparative Figures

The prior year comparative amounts in the financial statements have been reclassified to conform with the current year presentation.

Auditor's Comments on Supplementary Financial Information

To the Directors of
Brant Community Foundation Inc.

We have audited the financial statements of Brant Community Foundation Inc., which comprise the statement of financial position as at May 31, 2014 and the statements of revenues, expenses and change in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and have issued our report thereon dated September 10, 2014 which contained a qualified opinion on those financial statements. The audit was performed to form an opinion on the financial statements as a whole. The supplementary financial information is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements.

The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements as a whole and certain additional procedures, including comparing and reconciling such supplementary information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves.



Chartered Accountants, Licensed Public Accountants

Brantford, Ontario
September 19, 2014

**Brant Community Foundation Inc.
Field of Interest Fund Balance Schedule
(Unaudited)**

For the year ended May 31	2014	2013
Revenue		
Investment income	\$ 79,804	\$ 95,426
Realized gain (loss) on investments	(20,222)	12,577
Unrealized gain on investments	127,624	110,369
Foreign exchange gain (loss)	25,604	(5,906)
Contributions	16,377	210,518
	<u>229,187</u>	<u>422,984</u>
Expenses		
Grants and Leadership Projects	54,637	64,574
Fund management	35,473	33,362
Investment fees	13,566	12,837
	<u>103,676</u>	<u>110,773</u>
Excess of revenue over expenses for the year	125,511	312,211
Fund balance, beginning of year	2,250,382	1,987,707
Interfund transfer (Note 3)	13,313	(49,536)
Fund balance, end of year	<u>\$ 2,389,206</u>	<u>\$ 2,250,382</u>

**Brant Community Foundation Inc.
Donor Designated Fund Balance Schedule
(Unaudited)**

For the year ended May 31	2014	2013
Revenue		
Investment income	\$ 47,324	\$ 55,890
Realized gain (loss) on investments	(12,552)	7,860
Unrealized gain on investments	79,215	68,980
Foreign exchange gain (loss)	15,892	(3,656)
Contributions	<u>14,260</u>	<u>64,742</u>
	<u>144,139</u>	<u>193,816</u>
Expenses		
Grants and Leadership Projects	36,435	38,805
Fund management	20,546	19,758
Investment fees	<u>8,420</u>	<u>8,023</u>
	<u>65,401</u>	<u>66,586</u>
Excess of revenue over expenses for the year	78,738	127,230
Fund balance, beginning of year	1,333,582	1,206,352
Interfund transfer (Note 3)	<u>8,263</u>	<u>-</u>
Fund balance, end of year	\$ 1,420,583	\$ 1,333,582

**Brant Community Foundation Inc.
Non-Designated Fund Balance Schedule
(Unaudited)**

For the year ended May 31	2014	2013
Revenue		
Investment Income	\$ 141,891	\$ 138,134
Realized gain (loss) on investments	(36,958)	18,865
Unrealized gain on investments	233,245	165,553
Foreign exchange gain (loss)	46,793	(8,828)
Contributions	<u>1,431,798</u>	<u>413,257</u>
	<u>1,816,769</u>	<u>726,981</u>
Expenses		
Grants and Leadership Projects	210,748	94,780
Fund management	67,599	50,406
Investment fees	<u>24,793</u>	<u>19,256</u>
	<u>303,140</u>	<u>164,442</u>
Excess of revenue over expenses for the year	1,513,629	562,539
Fund balance, beginning of year	3,479,971	2,867,896
Interfund transfer (Note 3)	<u>24,330</u>	<u>49,536</u>
Fund balance, end of year	<u>\$ 5,017,930</u>	<u>\$ 3,479,971</u>

**Brant Community Foundation Inc.
Operating Fund Balance Schedule
(Unaudited)**

For the year ended May 31	2014	2013
Revenue		
Contributions	\$ 6,618	\$ 5,000
Services	181,889	153,926
Fundraising	18,862	15,072
	<u>207,369</u>	<u>173,998</u>
Expenses		
Grants and Leadership Projects	4,527	998
Administration - Schedule 1	156,936	128,436
	<u>161,463</u>	<u>129,434</u>
Excess of revenue over expenses for the year	45,906	44,564
Fund balance, beginning of year	102,283	117,719
Interfund transfer (Note 3)	<u>(45,906)</u>	<u>(60,000)</u>
Fund balance, end of year	\$ 102,283	\$ 102,283

**Brant Community Foundation Inc.
Reserve Fund Balance Schedule
(Unaudited)**

<u>For the year ended May 31</u>	<u>2014</u>	<u>2013</u>
Fund balance, beginning of year	30,000	-
Interfund transfer (Note 3)	<u>-</u>	<u>30,000</u>
Fund balances, end of year	\$ 30,000	\$ 30,000

**Brant Community Foundation Inc.
Investment Fund Balance Schedule
(Unaudited)**

<u>For the year ended May 31</u>	<u>2014</u>	<u>2013</u>
Fund balance, beginning of year	30,000	-
Interfund transfer (Note 3)	<u>-</u>	<u>30,000</u>
Fund balances, end of year	\$ 30,000	\$ 30,000

**Brant Community Foundation Inc.
Administration Expenses Schedule
(Unaudited)**

For the year ended May 31	2014	2013
Advertising	\$ 520	\$ 980
Conference, training, and AGM	9,233	5,896
Forums and fundraising events	8,558	7,232
Insurance	1,485	1,581
Memberships and dues	2,099	1,964
Office	112,089	91,482
Professional fees	15,528	19,046
Youth Advisory Committee	7,424	255
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	\$ 156,936	\$ 128,436
