

Brant Community Foundation
Financial Statements
For the year ended May 31, 2016

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Independent Auditor's Report

To the Directors of Brant Community Foundation

We have audited the financial statements of Brant Community Foundation, which comprise the statement of financial position as at May 31, 2016 and the statements of revenues and expenses and statement of changes in fund balances, and statement of 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 for the years ended May 31, 2016 and 2015, current assets as at May 31, 2016 and 2015, and net assets as at June 1 and May 31 for both the 2016 and 2015 years. Our audit opinion on the financial statements for the year ended May 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 Brant Community Foundation as at May 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.

BDO Canada LLP


Chartered Professional Accountants, Licensed Public Accountants

Brantford, Ontario
September 8, 2016

Brent Community Foundation
Statement of Restricted Assets

	Operating Fund	Restricted Funds	Endowment Fund	Total	Operating Fund	Restricted Funds	Endowment Fund	Total
				May 31, 2018				May 31, 2015
Assets								
Current assets								
Cash (Note 2)	\$ 198,358	\$ -	\$ -	\$ 198,358	\$ 132,844	\$ -	\$ -	\$ 132,844
Restricted cash (Note 2)	-	80,000	781,372	861,372	-	80,000	848,737	898,737
Other receivable	4,877	-	-	4,877	11,968	-	-	11,968
Service fee receivable	2,483	-	-	2,483	1,990	-	-	1,990
Prepaid expenses	2,824	-	-	2,824	3,824	-	-	3,824
Due from other funds (Note 4)	-	791	85,188	86,009	-	-	-	-
Short-term investments (Note 5)	207,448	88,751	1,178,848	1,475,047	187,128	64,500	728,108	979,736
Long-term investments (Note 5)	-	-	18,873,882	18,873,882	-	-	8,411,603	8,411,603
	\$ 207,448	\$ 89,751	\$ 11,851,327	\$ 12,148,526	\$ 131,128	\$ 80,000	\$ 10,137,823	\$ 10,348,729
Liabilities and Fund Balances								
Current liabilities								
Accounts payable and accrued liabilities (Note 1)	\$ 8,172	\$ -	\$ -	\$ 8,172	\$ 8,093	\$ -	\$ -	\$ 8,093
Deferred income (Note 2)	48,832	-	-	48,832	48,832	-	-	48,832
Due to other funds (Note 4)	66,878	-	-	66,878	-	-	-	-
	\$ 123,882	\$ -	\$ -	\$ 123,882	\$ 56,925	\$ -	\$ -	\$ 56,925
Fund balances								
Endowment funds								
Fund of interest funds	-	-	3,066,184	3,066,184	-	-	2,412,827	2,812,507
Donor designated funds	-	-	1,828,172	1,828,172	-	-	1,818,072	1,818,072
Non-designated funds	-	-	7,193,881	7,193,881	-	-	6,681,884	6,905,004
	-	-	\$ 11,888,237	\$ 11,888,237	-	-	\$ 10,912,783	\$ 11,535,603
Investment fund (Note 2)								
Investment fund (Note 2)	-	38,378	-	38,378	-	30,000	-	30,000
Reserve fund (Note 2)	-	38,378	-	38,378	-	30,000	-	30,000
Operating fund	104,832	-	-	104,832	102,283	-	-	102,283
	\$ 104,832	\$ 38,378	\$ -	\$ 143,210	\$ 102,283	\$ 30,000	\$ -	\$ 132,283
	\$ 207,448	\$ 89,751	\$ 11,851,327	\$ 12,148,526	\$ 131,128	\$ 80,000	\$ 10,137,823	\$ 10,348,729

On behalf of the Board


J. M. A.

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

Brant Community Foundation
Statement of Revenue and Expenses
For the year ended May 31

	2015			2015		
	Operating Fund	Restricted Funds	Endowment Fund	Operating Fund	Restricted Funds	Endowment Fund
Revenue						
Investment income	\$ -	\$ -	\$ 288,601	\$ -	\$ -	\$ 265,829
Realized loss on investments	-	-	(233,039)	-	-	(56,163)
Unrealized gain on investments	-	-	124,339	-	-	119,721
Foreign exchange gain	-	-	114,778	-	-	367,715
Contributions and pundry	1,615	-	1,913,361	2,330	-	1,038,206
Services	260,412	-	260,412	161,520	-	1,040,644
Fundraising	10,600	-	10,600	6,786	-	161,520
	212,627	-	2,306,640	193,646	-	1,736,266
			2,421,267			1,838,934
Expenditures						
Grants and leadership projects	-	-	324,000	25	-	290,041
Fund management	-	-	129,361	-	-	111,122
Administration - Schedule	175,073	-	175,073	148,063	-	948,083
Investment fees	-	-	66,806	-	-	67,275
Insurance	-	-	12,504	-	-	12,504
	175,073	-	632,480	148,108	-	470,942
			707,533			619,060
Excess of revenue over expenditures	\$ 27,654	\$ -	\$ 1,676,180	\$ 45,538	\$ -	\$ 1,264,346
			\$ 1,713,734			\$ 1,509,804

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

Brant Community Foundation
Statement of Changes in Fund Balances
For the year ended May 31

	2016			2015		
	Operating Fund	Restricted Funds	Endowment Fund	Operating Fund	Restricted Funds	Endowment Fund
Fund balance, beginning of year	\$ 102,283	\$ 60,000	\$ 10,137,603	\$ 102,283	\$ 60,000	\$ 8,027,719
Excess (deficiency) of revenue over expenditures	37,554	-	1,678,160	41,538	-	1,264,348
Transfer to (from) other funds (Note 3)	(38,395)	751	27,554	(45,538)	-	45,538
Fund balance, end of year	\$ 101,532	\$ 60,751	\$ 11,851,317	\$ 102,283	\$ 60,000	\$ 10,137,603
			\$ 12,613,820			\$ 10,259,866

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

**Brant Community Foundation
Statement of Cash Flows**

<u>For the year ended May 31</u>	<u>2016</u>	<u>2015</u>
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses for the year	\$ 1,713,734	\$ 1,309,884
Foreign exchange gain on cash and cash equivalents held in foreign currency	(2,297)	(4,794)
Changes in non-cash working capital balances		
Other receivable	6,691	505
Service fee receivable	(600)	73,500
Accounts payable and accrued liabilities	162	3,104
Deferred revenue	-	2
	<u>1,717,690</u>	<u>1,382,201</u>
Investing activities		
Change in investments	(1,415,961)	(1,782,253)
Restricted cash in investment account	(241,615)	472,369
	<u>(1,657,576)</u>	<u>(1,309,884)</u>
Foreign exchange gain on cash and cash equivalents held in foreign currency	<u>2,297</u>	<u>4,794</u>
Increase in cash during the year	62,411	77,111
Cash, beginning of year	<u>133,844</u>	<u>56,733</u>
Cash, end of year	<u>\$ 196,255</u>	<u>\$ 133,844</u>

Brant Community Foundation Notes to the Financial Statements

May 31, 2016

1. Significant Accounting Policies

Nature of Organization

Brant Community Foundation (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 Dr. Farley Healthcare & Music Fund, the Kwanis Lifeline Senior 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 Notes to the Financial Statements

May 31, 2016

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 of the appropriate unrestricted fund 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.

Services are recognized as revenue when the amount to be received can be reasonably estimated and collection is reasonably assured.

Brant Community Foundation Notes to the Financial Statements

May 31, 2016

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 Notes to the Financial Statements

May 31, 2016

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	<p>The Foundation incurs a number of general and administrative support expenses that are common to the administration of the Funds.</p> <p>The allocation of the general and administrative support expenses are in accordance with an agreement with the donors.</p>

Brant Community Foundation Notes to the Financial Statements

May 31, 2016

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 \$47,377 (2015 - \$29,998) 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 \$37,554 from the Operating Fund to each of the Endowment funds: Field of Interest, Donor Designated, and Non-Donor Designated for \$9,389, \$5,633 and \$22,532 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. Due to/from Other Funds

Amounts due/to from other funds primarily represent the 2016 surplus in the operating fund that was transferred to the endowment fund which has not yet been paid by the operating fund. It also includes outstanding advances to be repaid by the operating fund.

Interfund balances are unsecured, non-interest bearing and have no specific terms of repayment.

Brant Community Foundation Notes to the Financial Statements

May 31, 2016

5. Investments

	2016	2015
Government of Canada Bond	\$ 51,774	\$ 52,217
Provincial Bonds	577,370	580,439
Corporate Bonds	4,014,019	2,277,210
Common Shares	5,462,680	6,418,336
Preferred Shares	182,644	229,326
GIC's	60,726	30,318
Mutual Funds	654,594	-
Less: Short-Term Corporate Bonds	(331,115)	(176,343)
	\$10,672,692	9,411,503

The Government of Canada bond has a fair value of \$51,774 (2015 - \$52,217) and effective interest rate of 1.75% (2015 - 1.75%) per annum. This investment will mature March 2019.

The Provincial bonds have a fair value of \$577,370 (2015 - \$580,439) and effective interest rate of 2.25 to 6.7% (2015 - 1.25 to 6.7%) per annum. These investments will mature between March 2019 and November 2020.

The corporate bonds have a fair value of \$4,014,019 (2015 - \$2,277,210) and effective interest rates of 1.90% to 5.75% (2015 - 2.26% to 7.1%) per annum. These investments will mature between July 2016 and December 2026. \$331,115 (2015 - \$176,343) of these bonds mature in the next fiscal year.

The common shares consist of Canadian and U.S. equities. The balance includes \$2,055,751 denominated in US dollars. The common shares have a fair value of \$5,462,680 (2015 - \$6,418,336). 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 fair value of \$182,644 (2015 - \$229,326). The preferred dividend yields range from 3.32% to 4.6% (2015 - 4.5% to 6.25%) per annum.

The mutual funds have a fair value of \$654,594 (2015 - \$Nil). The mutual funds have no fixed maturity dates and dividends are generally declared on an annual basis.

Brant Community Foundation Notes to the Financial Statements

May 31, 2016

6. Accounts payable and accrued liabilities

The government remittances payable at the year end was \$3,396 (2015 - \$2,560).

7. 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. For 2016, the total value of assets denominated in US dollars is \$2,091,917, (2015 - \$2,007,723). A 5% fluctuation in the foreign exchange rate would result in a change in the Canadian dollar valuation of \$104,596, (2015 - \$100,386).

8. Related Party Transactions

Contributions include \$2,521 (2015 - \$17,605) 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.

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

May 31, 2016

9. Deferred Revenue

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

10. Comparative Figures

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

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

For the year ended May 31	2016	2015
Revenue		
Investment income	\$ 70,533	\$ 73,809
Realized loss on investments	(58,260)	(15,731)
Unrealized gain on investments	31,235	33,522
Foreign exchange gain	28,694	102,960
Contributions and sundry	480,027	133,822
	<u>552,229</u>	<u>328,382</u>
Expenses		
Grants and Leadership Projects	76,615	72,033
Fund management	31,120	29,341
Investment fees	16,626	16,038
	<u>124,361</u>	<u>117,412</u>
Excess of revenue over expenses for the year	427,868	210,970
Fund balance, beginning of year	2,612,927	2,389,206
Interfund transfer (Note 3)	9,389	12,751
Fund balance, end of year	\$ 3,050,184	\$ 2,612,927

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

<u>For the year ended May 31</u>	<u>2016</u>	<u>2015</u>
Revenue		
Investment income	\$ 44,949	\$ 45,954
Realized loss on investments	(34,956)	(10,113)
Unrealized gain on investments	18,741	21,550
Foreign exchange gain	17,217	66,189
Contributions and sundry	29,101	151,023
	<u>75,052</u>	<u>274,603</u>
Expenses		
Grants and Leadership Projects	51,600	42,950
Fund management	18,105	17,948
Investment fees	9,976	10,309
Insurance	12,504	12,504
	<u>92,185</u>	<u>83,711</u>
Excess (deficiency) of revenue over expenses for the year	(17,133)	190,892
Fund balance, beginning of year	1,619,672	1,420,583
Interfund transfer (Note 3)	5,633	8,197
Fund balance, end of year	\$ 1,608,172	\$ 1,619,672

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

For the year ended May 31	2016	2015
Revenue		
Investment income	\$ 173,119	\$ 146,066
Realized loss on investments	(139,823)	(30,339)
Unrealized gain on investments	74,963	64,649
Foreign exchange gain	68,867	198,566
Contributions and sundry	<u>1,404,233</u>	<u>753,361</u>
	<u>1,581,359</u>	<u>1,132,303</u>
Expenses		
Grants and Leadership Projects	195,875	175,058
Fund management	80,136	63,833
Investment fees	<u>39,903</u>	<u>30,928</u>
	<u>315,914</u>	<u>269,819</u>
Excess of revenue over expenses for the year	1,265,445	862,484
Fund balance, beginning of year	5,905,004	5,017,930
Interfund transfer (Note 3)	<u>22,532</u>	<u>24,590</u>
Fund balance, end of year	<u>\$ 7,192,981</u>	<u>\$ 5,905,004</u>

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

For the year ended May 31	2016	2015
Revenue		
Contributions and sundry	\$ 1,615	\$ 2,338
Services	200,412	181,520
Fundraising	10,600	9,738
	<u>212,627</u>	<u>193,646</u>
Expenses		
Grants and Leadership Projects	-	25
Administration - Schedule	175,073	148,083
	<u>175,073</u>	<u>148,108</u>
Excess of revenue over expenses for the year	37,554	45,538
Fund balance, beginning of year	102,283	102,283
Interfund transfer (Note 3)	<u>(37,554)</u>	<u>(45,538)</u>
Fund balance, end of year	\$ 102,283	\$ 102,283

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

<u>For the year ended May 31</u>	<u>2016</u>	<u>2015</u>
Advertising	\$ 3,347	\$ 800
Conference, training, and AGM	3,968	15,496
Forums and fundraising events	10,219	9,605
Insurance	1,690	1,841
Memberships and dues	3,029	2,941
Office	140,646	101,702
Professional fees	11,618	15,698
Youth Advisory Committee	556	-
	<hr/>	<hr/>
	\$ 175,073	\$ 148,083
