



Financial statements

Oakville Community Foundation

December 31, 2018

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Independent auditor's report

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**To the Members of
Oakville Community Foundation
Opinion**

We have audited the financial statements of **Oakville Community Foundation** ("the Foundation"), which comprise the statement of financial position as at December 31, 2018, and the statements of operations and 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 accompanying financial statements present fairly, in all material respects, the financial position of **Oakville Community Foundation** as at December 31, 2018, and its 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.

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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Foundation'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 Foundation'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 Foundation 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.

Grant Thornton LLP

Mississauga, Canada
April 11, 2019

Chartered Professional Accountants
Licensed Public Accountants

Oakville Community Foundation

Statement of financial position

December 31

2018

2017

Assets

Current

Cash and cash equivalents	\$ 528,706	\$ 361,401
Amounts recoverable	43,351	68,715
Prepays	31,691	22,108
	<u>603,748</u>	<u>452,224</u>

Investments (Note 4)	101,829,266	102,693,088
Program-related investments (Note 5)	273,304	-
Capital assets (Note 6)	101,370	118,673
Cash surrender value on life insurance (Note 7)	35,245	32,083
	<u>\$ 102,842,933</u>	<u>\$ 103,296,068</u>

Liabilities

Current

Accounts payable and accrued liabilities	\$ 49,266	\$ 13,548
Deferred revenue	98,720	48,880
Funds held on behalf of community organizations (Note 8)	40,088,152	38,108,601
	<u>40,236,139</u>	<u>38,171,029</u>

Fund balances

Endowed (Note 9)	51,031,429	53,487,382
Grant and Flow-Through Gifts (Note 10)	10,607,133	10,707,633
Operating	163,275	126,840
Stabilization Reserve	612,794	620,019
Capital (Note 11)	192,164	183,165
	<u>62,606,795</u>	<u>65,125,039</u>
	<u>\$ 102,842,933</u>	<u>\$ 103,296,068</u>

Commitments (Note 13)

Approved by the Board:

 Director  Director

See accompanying notes to the financial statements.

Oakville Community Foundation

Statement of operations and changes in fund balances

December 31

2018 2017

	Endowed Fund	Grant and Flow-Through Gifts Funds	Operating Fund	Stabilization Reserve Fund	Capital Fund	Total
Revenues						
Fund additions	\$ 907,862	\$ 672,086	\$ -	\$ -	\$ -	\$ 3,186,730
Donations	-	-	199,523	-	-	174,453
Investment income (loss)	(1,045,691)	(51,074)	(6,106)	-	202	5,261,528
Administration fees	-	-	943,520	-	-	894,543
Other income (loss)	5,251	(1,328)	50,501	-	-	67,608
	(132,578)	619,684	1,187,438	-	202	9,584,862
Expenses						
Administration	7,755	-	983,875	-	37,203	973,469
Fund development and community programs	-	-	163,321	-	-	174,194
	7,755	-	1,147,196	-	37,203	1,147,664
Income (loss) for year before grant disbursements	(140,333)	619,684	40,242	-	(37,001)	8,437,199
Grants	-	(3,000,836)	-	-	-	(16,073,342)
Income (loss) for year	(140,333)	(2,381,152)	40,242	-	(37,001)	(7,636,143)
Fund balances, beginning of year	53,487,382	10,707,633	126,840	620,019	183,165	72,761,182
Transfers designated for granting	(2,146,173)	2,146,173	-	-	-	-
Transfers between funds	(169,447)	134,479	(3,807)	(7,225)	46,000	-
Fund balances, end of year	\$ 51,031,429	\$10,607,133	\$ 163,275	\$ 612,794	\$ 192,164	\$65,125,039

See accompanying notes to the financial statements.

Oakville Community Foundation**Statement of cash flows**

Year ended December 31

2018**2017**

Cash flows from (used in) operating activities

Income for year before grant disbursements	\$ 482,592	\$ 8,437,199
Grants	(3,000,836)	(16,073,342)
Adjustments for		
Amortization of capital assets	<u>37,203</u>	<u>27,789</u>
	(2,481,041)	(7,608,354)

Changes in non-cash working capital

Decrease (increase) in amounts recoverable	25,364	(8,282)
Increase in prepaids	(9,583)	(664)
Increase (decrease) in accounts payable and accrued liabilities	35,718	(12,807)
Increase in deferred revenue	49,840	48,880
Increase in Funds Held on Behalf of Community Organizations	<u>1,979,551</u>	<u>3,065,594</u>
	(400,151)	(4,515,633)

Cash flows from (used in) investing activities

Net change in investments	863,821	4,819,837
Net change in Program-related investments	(273,304)	-
Acquisition of capital assets	(19,900)	(35,940)
Cash surrender value on life insurance	<u>(3,162)</u>	<u>(978)</u>
	567,456	4,782,919

Net increase in cash and cash equivalents during the year 167,305 267,286

Cash and cash equivalents, beginning of year 361,401 94,115

Cash and cash equivalents, end of year \$ 528,706 \$ 361,401

See accompanying notes to the financial statements.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

1. Nature of operations

The Oakville Community Foundation (the "Foundation") is a non-profit corporation established to benefit and improve the quality of life by receiving, maintaining, managing, controlling and using donations for charitable purposes. In the course of executing its mandate, the Foundation supports other community organizations. The Foundation was incorporated on March 10, 1994 under Part II of the Canada Corporations Act and was continued under the Canada Not-for-Profit Corporations Act on February 25, 2014. The Foundation qualifies for tax-exempt status as a registered charity.

2. Summary of significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies where alternatives are available:

Cash and cash equivalents

Cash and cash equivalents are defined as cash and highly liquid investments. These consist primarily of cash held for operating purposes in demand current accounts and term deposits with terms to maturity of three months or less at the date of purchase.

Cash and cash equivalents that are held for investment purposes rather than operational purposes are classified as investments and are controlled by each individual investment manager in accordance with the Investment Policy.

Investments and investment income

Investments are recorded at fair market value as provided by Investment Managers.

Program-related Investments are recorded at amortized cost.

Investment income (loss) consists of interest and dividends received, realized and unrealized capital gains and losses, less fees paid to outside professional portfolio managers and Foundation administration. Investment income (loss) is allocated proportionately to the Funds in accordance with specific agreements for each Fund.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

2. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. Amortization is recorded at rates intended to write off the cost of the assets over their estimated useful life. Methods and rates used are:

Office furniture	10 years, straight-line basis
Computer equipment and website development	3 years, straight-line basis
Leasehold improvements	straight-line basis over remaining term of the lease
Software	5 years, straight-line basis

Funds

Donations and funds received are allocated to the various funds which have been established by the Foundation. Allocations among the funds are determined in accordance with specific agreements for each fund:

Funds Held on Behalf of Community Organizations

The Foundation accepts amounts from other charitable and not-for-profit organizations for the purpose of investment pooling. These amounts are included in the assets of the Foundation, and the fund balances are recorded as liabilities. Investment income (loss) is recognized as a direct increase (decrease) in the funds. Disbursements and the Foundation cost recovery from such funds are recognized as a decrease in Funds Held on Behalf of Community Organizations.

Endowed Fund

Amounts placed in the Endowed Fund are considered to be permanent in nature, pursuant to restrictions established at the time that donations are received. Amounts disbursed to charitable organizations must meet the criteria related to the purpose for which the Endowed Fund was established.

Certain of these agreements for amounts placed in the Endowment Fund include a clause that allows the donor to direct the transfer of all of the endowment funds then remaining, or any part thereof, to another registered charitable foundation or charity registered under the Income Tax Act.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

2. Summary of significant accounting policies (continued)

Grant and Flow-Through Gifts Funds

Grant

Amounts placed in the Grant Fund include transfers from the Endowed Fund to allow for future granting as defined by the Spending Policy of the Foundation and in accordance with Fundholder Agreements.

The Board of Directors approves all grants in accordance with the Granting Policy. Fundholders may recommend to the Board of Directors recipients of grants generated from the Endowed Fund in any year up to the amount of income allocated for granting in accordance with the Foundation's Spending Policy. In the event that the amounts recommended by the fund holder are less than the income allocated for granting in the fund, the Board of Directors may direct the granting without advice.

The Grants Task Force makes recommendations to the Board of Directors for grants from various Community Granting Funds.

Flow-Through Gifts

Amounts in the Flow-Through Gifts Fund consist of Flow-Through Gifts and income earned thereon.

The original capital along with all income earned in the fund may be granted out to charities registered under the Income Tax Act. Since the amounts can be granted out at any time, they are reported in these financial statements with the Grant Fund.

Operating Fund

The Operating Fund revenues include the administrative fees charged to funds as well as donations and sponsorship revenue. The administrative expenses of the Foundation and expenses associated with direct community programs are charged to the Operating Fund.

Stabilization Reserve Fund

The Stabilization Reserve Fund was established in 2011 to provide for the fiscal stability of the operations of the Foundation. The amount transferred to or from the reserve is determined based upon the budgeted revenues and expenses for the following year.

Capital Fund

Transfers to the Capital Fund from the Operating Fund are for acquisition of capital assets. The Capital Fund represents the unamortized cost of all capital assets plus any reserve for future acquisition of capital assets.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

2. Summary of significant accounting policies (continued)

Revenue recognition

Endowed Fund, Grant and Flow-Through Gifts Funds additions, donations, fundraising events, administrative fees and other income are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

The Foundation follows the deferral method of accounting for donations and grants to the Operating Fund. The donation or grant is not recognized as income until the related project expenditure is incurred.

Use of estimates

In conformity with Canadian accounting standards for not-for-profit organizations, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results may differ from those reported.

Contributed services

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

Foreign currency translations

Foreign currency denominated monetary assets and monetary liabilities are translated into Canadian dollars at the exchange rate prevailing at the statement of financial position date.

Foreign currency denominated revenue and expenses are translated at the rates prevailing on the transaction date. Gains or losses on monetary assets and liabilities resulting from the translation of foreign currencies are recognized in the statement of operations and changes in fund balances during the year in which they arise.

3. Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, amounts recoverable, investments, program-related investments, accounts payable and accrued liabilities, grants payable and Funds Held on Behalf of Community Organizations. The Foundation measures all its financial assets and liabilities at amortized costs, except for investments and Funds Held on Behalf of Community Organizations, which are measured at fair value.

The Foundation, in the normal course of operations, is exposed to a variety of risks which are actively managed by the Foundation. The Foundation has an ongoing risk assessment process to identify and mitigate any undue risks to the Foundation.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

3. Financial instruments (continued)

Market risk

Market risk is the risk that the fair market value of future cash flows from investments will decline because of changes in underlying market factors including equity market prices, market volatility, foreign exchange rates, interest rates and credit risks. The Foundation is exposed to market risk on the entire investment portfolio:

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument denominated in currencies other than Canadian dollars will fluctuate because of changes in foreign exchange rates. Foreign currency exposure arises from the Foundation's holdings of global investments. Foreign exchange exposure is managed within constraints prescribed by the Foundation's Statement of Investment Policy and Guidelines ("Investment Policy").

As at December 31, 2018 \$28,746,465 or 28.2% (2017 - \$26,942,278 or 26%) of the investment portfolio was unhedged and subject to foreign currency exposure. The most significant exposure to currency risk is in U.S. dollars, \$16,670,584 or 16.3% (2017 - \$16,983,460 or 17%).

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will be affected by changes in interest rates. Interest rate risk predominantly impacts fixed-income securities. It is managed through an active asset-allocation and re-balancing process to determine how much of the investment portfolio should be allocated to fixed-income securities and through the active management of the duration of the fixed-income portfolio by professional investment managers engaged by the Foundation.

Other price risk

Other price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk. The Foundation is exposed to price risk on its entire investment portfolio. The diversification across various asset classes as mandated by the Foundation's Investment Policy is designed to decrease the volatility of portfolio returns.

Credit risk

Credit risk is the risk of financial loss to the Foundation if a counterparty to a financial instrument fails to meet its contractual obligations. Investments in short-term investments and fixed income investments are subject to credit risk. The maximum exposure to credit risk on these instruments is their carrying value. The risk is managed by limiting the credit exposure as stipulated by the Foundation's Investment policy.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

3. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Foundation cannot meet a demand for cash or fund its obligations as they come due. The majority of the Foundation's assets are in investments that are traded in an active market and can be readily liquidated. The Foundation's contractual liabilities are all due within one year, with the exception of lease commitments and certain granting obligations as set out in Note 13.

4. Investments

The Foundation adheres to an Investment Policy which outlines the objectives to ensure that the Foundation's investments are managed in a prudent manner so as to optimize the long-term returns while taking into account the Spending Policy needs of the Endowed Fund and remaining in compliance with all regulatory requirements.

The Investment Policy is reviewed by the Investment Committee and approved by the Board of Directors at least annually to ensure all activities are in compliance. The Policy includes guidelines on permitted investments, restrictions on the minimum and maximum amounts in each asset class, the maximum amounts of the market value of an investment manager's holdings invested in the securities of a single issuer, and it prescribes limits around the quality and concentration of the investment portfolio.

The Foundation believes considering environmental, social and governance (ESG) factors in the investment process is consistent with investment objectives and this integration is dictated by the Investment Policy.

The funds within the Foundation's Investment Pool and all the Segregated Funds are subject to the Investment Policy of the Foundation. During 2017 the funds in the Investment Pool were transferred to one Investment Manager. Segregated Funds are managed by Investment Counsel recommended by the fund holders and are not included in the Foundation's Pooled Funds. The asset mix is as follows:

	2018	%	2017	%
Oakville Community Foundation				
Pooled Funds				
Cash and cash equivalents	\$ 253,262	0	\$ 3,958,066	4
Fixed income				
Traditional	9,931,819	10	10,195,813	10
Non-Traditional*	34,477,861	35	31,392,980	32
Canadian equities	25,915,845	27	26,244,821	27
Global equities	27,730,015	28	27,114,259	27
	<u>98,308,802</u>	<u>100</u>	<u>98,905,939</u>	<u>100</u>
Segregated Funds	3,520,464		3,787,149	
	<u>\$ 101,829,266</u>		<u>\$102,693,088</u>	

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

4. Investments (continued)

*Non-traditional fixed income investments comprise mostly diversified lending; infrastructure; direct real estate; and multi-strategy income investments. They are considered "non-traditional" because they include holdings such as limited partnerships, loans, and direct investment in infrastructure and real estate. These investments have been structured to offer monthly liquidity to investors when circumstances permit.

5. Program-related investments

Program-related investments are held in a segregated pool of investments that directly further The Foundation's charitable purposes. These investments' purpose is to have a greater charitable impact by utilizing the capital itself, and not just the return on that capital, for charitable purposes.

	<u>2018</u>	<u>2017</u>
Loan	\$ <u>273,304</u>	\$ <u>-</u>

In 2018, The Foundation made a Program related investment in the form of a syndicated loan to a non-for-profit organization. The loan is secured by a first collateral mortgage over the related property owned by the not-for-profit organization. This mortgage is amortized over 25 years at 3.5% per annum. Annual payments of \$16,424 are due to be received, including both interest charges and principal repayment. The carrying value of the receivable will be reduced on an annual basis as principal is received throughout the year.

6. Capital assets			<u>2018</u>	<u>2017</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Office furniture	\$ 4,717	\$ (3,068)	\$ 1,649	\$ 2,121
Computer equipment	59,050	(48,820)	10,230	15,057
Website development	72,560	(57,214)	15,346	17,752
Leasehold improvements	75,569	(24,058)	51,511	62,306
Software	<u>27,560</u>	<u>(4,926)</u>	<u>22,634</u>	<u>21,437</u>
	<u>\$ 239,456</u>	<u>\$ 138,085</u>	<u>\$ 101,370</u>	<u>\$ 118,673</u>

Amortization recorded during the year amounted to \$ 37,203 (2017 - \$27,789).

During the year, capital assets were acquired for cash at an aggregate cost of \$19,900 (2017 - \$35,941).

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

7. Cash surrender value on life insurance

The Foundation is the assignee and owner of life insurance policies totalling \$1,036,170 (2017 - \$1,033,053) with a cash surrender value of \$35,245 (2017 - \$32,083). The cash surrender value on these policies has been included in these statements.

8. Funds Held on Behalf of Community Organizations

The Foundation accepts funds, and holds as liabilities, amounts from other charitable and not-for-profit organizations for the purpose of investment pooling. Cost recovery on these funds provides income to the Operating Fund. Activity during the year in these funds was as follows:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 38,108,601	\$ 35,043,007
Capital additions	3,490,105	1,276,179
Income (loss)	(125,658)	3,376,715
Disbursements	(1,155,181)	(1,383,738)
Foundation cost recovery	<u>(229,715)</u>	<u>(203,562)</u>
Balance, end of year	<u>\$ 40,088,152</u>	<u>\$ 38,108,601</u>

With required notice as defined by The Foundation's Agency Pooled Funds Withdrawal Policy, Funds Held on Behalf of Community Organizations are payable upon request within 3 weeks of the valuation month-end.

9. Endowed fund

The Endowed Fund includes \$12,677,163 (2017 - \$12,862,764) where the related agreements include a clause that allows the donor to direct the transfer as soon as possible of all the endowment funds then remaining, or any part thereof, to another registered charitable foundation or charity registered under the Income Tax Act.

10. Grant and Flow-Through Gifts funds

The Grant and Flow-Through Gifts Funds include \$2,593,830 (2017 - \$2,942,640) in Flow-Through Gifts. This amount, together with all income earned thereon, may be granted out to charities registered under the Income Tax Act at any time. The Foundation has committed to distribute these grants as soon as possible following receipt of advice from donors, and for some funds within 60 days of the date of direction.

11. Capital fund

The Capital fund includes \$101,370 (2017 - \$118,673) in amortized capital assets and \$90,794 (2017 - \$64,492) as a reserve for future acquisition of capital assets.

Oakville Community Foundation

Notes to the financial statements

December 31, 2018

12. Transfers

Transfers represent reallocations within the fund balances of the Foundation. Transfers from the Endowed Fund to the Grant and Flow-Through Gifts Funds are made to allow for future granting as defined by the Spending Policy of the Foundation and in accordance with Fundholder agreements. Grants may be designated from the Grant Fund to the Operating Fund or the Endowed Fund. Transfers from the Operating Fund to the Capital Fund are based on the annual budget, while transfers to or from the Stabilization Reserve Fund are based on the policy which governs that reserve.

13. Commitments

- (a) The Foundation provides grants annually in accordance with its Spending Policy. In certain cases, multi-year grants are provided. The following amounts have been committed for granting as part of multi-year grants:

2019	\$ 16,666
2020	<u>8,334</u>
	\$ <u>25,000</u>

- (b) Future minimum rental payments required under operating leases that have initial terms in excess of one year are:

2019	\$ 53,855
2020	55,514
2021	57,172
2022	58,978
2023	<u>44,233</u>
	\$ <u>269,752</u>

14. Income taxes

The Foundation is a registered charitable foundation and is therefore exempt from income taxes per section 149(1)(f) of the Income Tax Act.

In order to maintain its status as a registered charitable foundation under the Income Tax Act, the Foundation must meet certain requirements under the Income Tax Act.