

**FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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**The Perth and District
Community Foundation
Financial Statements
December 31, 2017**



Management's Responsibility for the Financial Statements

The accompanying financial statements of the The Perth and District Community Foundation are the responsibility of the Foundation's management and have been prepared in compliance with legislation, and in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASPNO). A summary of significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involved the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Foundation's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of financial statements. These systems are monitored and evaluated by management.

Management meets with the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters. The Board of Directors meets with management subsequently to review these same matters prior to the Board's approval of the financial statements.

The financial statements have been audited by Allan and Partners LLP, independent external auditors appointed by the Foundation. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Foundation's financial statements.

Lynn McIntyre, Finance and Treasury Administrator



INDEPENDENT AUDITOR'S REPORT

To the Members of The Perth and District Community Foundation:

We have audited the accompanying financial statements of The Perth and District Community Foundation which comprise the statement of financial position as at December 31, 2017, and the statements of operations and 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 and fair presentation of these financial statements in accordance with Canadian Accounting Standards for Not-For-Profit Organizations (ASPNO), 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 the 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 an 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 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 audit opinion.



Basis of Qualified Opinion

In common with many charitable organizations, the organization derives revenue from fundraising events the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses and cash flow from operations for the year ended, December 31, 2017, current assets as at December 31, 2017 and fund balances as at December 31, 2017.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the 'Basis of Qualified Opinion' paragraph, the financial statements present fairly, in all material respects, the financial position of the Perth and District Community Foundation as at December 31, 2017, and the results of operations and cash flows for the year ended in accordance with Canadian accounting standards for Not-For-Profit Organizations.



Allan and Partners LLP
Chartered Professional Accountants
Licensed Public Accountants

Perth, Ontario,
May 1, 2018.

The Perth and District Community Foundation Statement of Financial Position

| December 31 | 2017 | 2016 |
|--|------------------|-----------|
| | \$ | \$ |
| Assets | | |
| Current | | |
| Cash | 30,121 | 42,914 |
| Miscellaneous receivables | 5,450 | 6,323 |
| | 35,571 | 49,237 |
| Investments (note 2) | 2,889,594 | 2,574,660 |
| Total Assets | 2,925,165 | 2,623,897 |
| Liabilities | | |
| Current | | |
| Accounts payable and accrued liabilities | 3,823 | 21,699 |
| Fund Balances | | |
| Operating fund | 22,170 | 31,083 |
| Unrestricted fund | 195,101 | 173,855 |
| Restricted and named funds (note 3) | 2,704,071 | 2,397,260 |
| | 2,921,342 | 2,602,198 |
| Total Liabilities and Fund Balances | 2,925,165 | 2,623,897 |

Approved on Behalf of the Board:

_____ Director

_____ Director

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

**The Perth and District Community Foundation
Statement of Operations and Fund Balances**

| For the year ended December 31 | Operating Fund | Unrestricted Fund | Restricted / Named Funds | 2017 | 2016 |
|---|-------------------|----------------------|--------------------------------|------------------|-----------|
| | \$ | \$ | \$ | \$ | \$ |
| Revenues | | | | | |
| Donations | --- | 38,771 | 237,479 | 276,250 | 237,497 |
| Investment income (loss) | --- | 16,267 | 217,589 | 233,856 | 309,168 |
| Golf Tournament (net) | 15,006 | --- | --- | 15,006 | 20,391 |
| Christmas Fundraiser (net) | 2,738 | --- | --- | 2,738 | 21,704 |
| Management fee | 26,853 | (1,868) | (24,985) | --- | --- |
| Other income | 12,104 | --- | --- | 12,104 | 2,330 |
| | 56,701 | 53,170 | 430,083 | 539,954 | 591,090 |
| Expenditures | | | | | |
| Administrative | | | | | |
| Marketing, advertising | 4,495 | --- | --- | 4,495 | 3,224 |
| Office and general | 15,052 | --- | --- | 15,052 | 16,852 |
| Salaries and benefits | 38,652 | --- | --- | 38,652 | 42,710 |
| Programs | 7,415 | --- | --- | 7,415 | --- |
| Grants | --- | 31,924 | 123,272 | 155,196 | 92,340 |
| | 65,614 | 31,924 | 123,272 | 220,810 | 155,126 |
| Net Revenues (Expenditures) for the Year | (8,913) | 21,246 | 306,811 | 319,144 | 435,964 |
| Fund Balances, Beginning of Year | 31,083 | 173,855 | 2,397,260 | 2,602,198 | 2,166,234 |
| Fund Balances, End of Year | 22,170 | 195,101 | 2,704,071 | 2,921,342 | 2,602,198 |

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

**The Perth and District Community Foundation
Statement of Cash Flows**

| For the year ended December 31 | 2017 | 2016 |
|---|------------------|-------------|
| | \$ | \$ |
| Cash Flows Provided From: | | |
| Operating Activities | | |
| Net revenues for the year | 319,144 | 435,964 |
| Working Capital Provided (Applied) | | |
| Miscellaneous receivables | 873 | 26,592 |
| Accounts payable and accrued liabilities | (17,876) | 16,493 |
| | (17,003) | 43,085 |
| Investing Activities | | |
| Investments | (314,934) | (486,608) |
| Change in Cash and Cash Equivalents for the Year | (12,793) | (7,559) |
| Cash and Cash Equivalents, Beginning of Year | 42,914 | 50,473 |
| Cash and Cash Equivalents, End of Year | 30,121 | 42,914 |

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

The Perth and District Community Foundation

Notes to the Financial Statements

December 31, 2017

Purpose of Organization

The Perth and District Community Foundation (the 'Foundation') was incorporated without share capital under the Canada Corporations Act. The Foundation pools charitable gifts which are invested in perpetuity. The income earned on these funds is used to encourage community development in areas such as arts and culture, health and social services, education and environmental initiatives.

The Foundation is a registered charity and is classified as a public foundation under Section 149.1(1) of the Income Tax Act (Canada) ('the Act'). As such, the Foundation is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the Act, the Foundation must meet certain requirements with the Act. In the opinion of management, these requirements have been met.

1. Significant Accounting Policies

Basis of Accounting

These financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The Foundation follows the restricted fund method for 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:

The Unrestricted Fund reports resources that are required to be maintained by the Foundation on a permanent basis but may be expended for any purpose approved by the Board.

The Restricted Fund reports resources that are available to be used for purposes specified by the donor and do not form part of the Unrestricted Fund.

The Operating Fund reports resources available for the Foundation's general operating activities. These activities include fund development, grant making, community leadership projects, and philanthropic services to the community. The general costs of supporting these activities are reported as expenditures in the Operating Fund.

Investments

The investments of the Foundation are recorded at market values. Investment income includes dividends, interest, realized gains (losses) and the net change in unrealized gains (losses) for the year.

Purchases and sales of investments are recorded at the settlement date. Investment costs are expensed as incurred.

The Perth and District Community Foundation

Notes to the Financial Statements

December 31, 2017

1. Significant Accounting Policies / continued

Donated Goods and Services

The Foundation may receive goods at no cost from various sources. Significant donations are recorded in the accounts at their estimated fair value at the date of the donation.

The Foundation also benefits from the service of volunteers. Because of the difficulty of determining their fair value, donated services are not recognized in these financial statements.

Revenue Recognition

Donor-restricted contributions for endowment purposes are recognized as revenue in the Unrestricted Fund. Other donor-restricted contributions are recognized as revenue in the Restricted Fund or the Operating Fund depending on the nature of the restriction. Donor-restricted contributions to the Restricted Fund includes those intended to be paid out to qualified grantees, either: in the current period ('Flow Through'); or over a medium-term time horizon and after earning investment income. Unrestricted contributions are recognized as revenue in the Unrestricted Fund. Contributions are recognized as revenue when received. Primary sources of contributions recognized as revenue during the year are donations, fundraising events, sponsorships, grants, investment income and administration fees.

Expense Recognition

Expenditures are recognized according to the accrual basis of accounting in that the expenditures are recorded as incurred as a result of receipt of goods and services and the creation of a legal obligation to pay.

Cash and Cash Equivalents

Cash and cash equivalents are classified as held-for-trading and include cash on hand, balances with banks and highly liquid temporary money market instruments.

Financial Instruments

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities, with the exception of investments, at amortized cost. Investments continue to be measured at fair value.

The financial assets subsequently measured at amortized cost include cash and accounts receivables. The financial liabilities measured at amortized cost include accounts payable and accrued liabilities, and trust fund liabilities.

Currency Translation

Investment transactions in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the date of the transaction. Investment held in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at December 31.

The Perth and District Community Foundation

Notes to the Financial Statements

December 31, 2017

1. Significant Accounting Policies / continued

Measurement Uncertainty

The preparation of financial statements in conformity 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 at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting year. Actual results could differ from management's best estimates, as additional information becomes available in the future. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in the periods in which they become known.

Income Taxes

The Foundation is a registered charity under the Income Tax Act (Canada) and, accordingly, is exempt from income taxes provided certain requirements of the Income Tax Act (Canada) are met.

2. Investments

Investments for the Endowment Fund, Restricted Fund and Operating Fund are pooled and investment income is allocated to these funds on a prorated basis based on monthly market value.

Investments of the Foundation, administered by RBC Dominion Securities, are invested in various GICs, bonds, debentures, stocks and equity funds and are stated at market value.

| | 2017 | 2016 |
|----------------------|------------------|------------------|
| | \$ | \$ |
| Cash and equivalents | 7,157 | 31,145 |
| Equities | 2,460,448 | 2,062,780 |
| Fixed income | 421,989 | 480,735 |
| | 2,889,594 | 2,574,660 |

During the year, the net investment income was \$233,856 (2016 \$309,168) calculated as follows:

| | 2017 | 2016 |
|-----------------------|----------------|----------------|
| | \$ | \$ |
| Investment income | 264,379 | 336,046 |
| Investment fees | (30,523) | (26,878) |
| Net Investment Income | 233,856 | 309,168 |

The Perth and District Community Foundation Notes to the Financial Statements

December 31, 2017

3. Restricted and Named Funds

Restricted funds consist of donor designated, donor advised, field of interest and agency endowed funds. All donations, the income of which are to be designated for specific purposes, are recorded as additions to the capital of a restricted fund. Funds as at December 31, 2017 consist of the following:

| | 2017 | 2016 |
|------------------------------------|-----------|-----------|
| | \$ | \$ |
| Allatt | 606 | 561 |
| Anderson Family | 15,197 | 13,056 |
| B. Rogers Memorial | 5,127 | 4,110 |
| Big Brothers Big Sisters | 21,566 | 19,336 |
| Bill Cuthbertson | 7,034 | 6,510 |
| Boysen Family | 3,334 | 2,143 |
| CARR Refugee | 105,240 | 111,317 |
| Community Builders | 4,373 | 2,701 |
| Dr. Gordon Jackson | 28,901 | 26,749 |
| Dr. Murray Wilson | 8,561 | 8,894 |
| Robert J. Ellard Family | 39,997 | 33,688 |
| Environmental | 62,892 | 59,936 |
| GKJ Community | 12,942 | 12,469 |
| Graham Family | 14,760 | 14,220 |
| Hill Lorraine Estate | 944,199 | 909,667 |
| Hollis Family | 19,331 | 18,624 |
| Jacqui Bowick Sandor Second Chance | 5,336 | --- |
| Ken Gray Memorial | 354,253 | 332,730 |
| Ladly Family | 92,635 | 89,247 |
| Laing Stuart and Sharon | 113,824 | 97,240 |
| Marriner | 12,250 | 10,407 |
| McIntosh Perry | 61,621 | 58,975 |
| MERA Award of Excellence | 17,227 | 10,995 |
| Reta M. Miller | 93,659 | 88,040 |
| Munroe Family | 9,565 | 7,916 |
| Noble / Stolee | 44,707 | 36,369 |
| O'Connor Family | 40,051 | 6,003 |
| Perth Blue Wings | 20,857 | 19,790 |
| Perth Library Children`s Literacy | 367,578 | 246,551 |
| Rotary | 45,503 | 51,685 |
| Smart and Caring | 4,660 | 4,490 |
| Smiths Falls Montague | 3,108 | 2,319 |
| Strome/Drew | 33,123 | 21,229 |
| Tay Valley History | 17,570 | 13,908 |
| The Table | 16,417 | 4,226 |
| Underhill McIntyre Family | 2,912 | 1,371 |
| VCK Fund | 27,495 | 26,490 |
| Woodwark and Stevens | 1,012 | --- |
| Young Talent | 24,648 | 23,298 |
| | 2,704,071 | 2,397,260 |

The Perth and District Community Foundation Notes to the Financial Statements

December 31, 2017

4. Grants

The Perth and District Community Foundation incurs expenditures on an annual basis in the form of grants to qualified donees. The funds received for granting purposes are derived from two sources. The first source is through investment income earned on The Foundations' endowed capital. The second source is through gifts received from donors whereby the donor has designated that the amount of the gift, less an agreed upon administrative fee, is to be directed immediately to an agency or agencies specified by the donor (provided that the agency is a "qualified donee"). The latter are referred to as "flow through" grants. Flow through grants for 2017 totalled \$32,573 (2016 \$14,758).

5. Risk Management

The fair values of cash, other accounts receivable and accounts payable and accrued charges, are equivalent to their respective carrying values given the short-term nature of the accounts.

Investments are measured at fair value on the statement of financial position as quoted by investment brokers.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As a result of holding financial instruments, the Foundation is exposed to investment risk, market risk, and interest rate risk. The following is a description of those risks and how the Foundation manages its exposure to them, which has not changed from the prior year.

Investment Risk

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risk.

The Foundation mitigates these risks with an investment policy designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances.

Market and Interest Rate Risk

The risks associated with the investments are the risks associated with the securities in which the funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

The Perth and District Community Foundation Notes to the Financial Statements

December 31, 2017

6. Capital

The Foundation's objectives in managing the endowment capital are:

- ▶ To permanently hold the capital of the endowed funds; and
- ▶ To generate investment earnings to cover charitable grants and service fees, both determined using fixed rates.

Over the long term, investment earnings are expected to exceed disbursements. Naturally, with a fixed rate for grants and service fees, the actual amount disbursed in any particular year will necessarily be an amount that is less than or greater than the actual investment earnings for that year. However, the objective over the long term is to ensure that the capital of the endowed funds is held permanently.

7. Budget Figures

Non profit organizations are required to report the annual operating budgets approved by the Board. A summary of the operating budgets for the 2017 and 2016 fiscal years are set out below.

| | 2017 | 2016 |
|-----------------------------|----------------|----------------|
| | \$ | \$ |
| Revenues | | |
| Golf tournament (net) | 18,500 | 15,000 |
| Christmas fundraising (net) | 21,500 | 23,500 |
| Fund management fee | 22,000 | 20,000 |
| Other income | 12,000 | 2,000 |
| | 74,000 | 60,500 |
| Expenditures | | |
| Administration | | |
| Marketing and advertising | 8,855 | 7,500 |
| Office and general | 20,736 | 17,268 |
| Salaries and benefits | 37,500 | 37,212 |
| Programs | 10,000 | --- |
| | 77,091 | 61,980 |
| Net Expenditures | (3,091) | (1,480) |