

Financial Statements of

**THE PERTH AND DISTRICT
COMMUNITY FOUNDATION**

And Independent Auditors' Report thereon

Year ended July 31, 2021



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Members of the Perth and District Community Foundation

Qualified Opinion

We have audited financial statements of the Perth and District Community Foundation (the "Entity"), which comprise:

- the statement of financial position as at July 31, 2021
- the statement of operations and fund balances for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, except for the possible effects of the matter described in the "**Basis for Qualified Opinion**" section of our auditors' report, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at July 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Entity derives revenue from donation and fundraising activities, 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 Entity. Therefore, we were not able to determine whether any adjustments might be necessary to:

- the current assets reported on the statement of financial position as at July 31, 2021 and July 31, 2020;
- the donations revenue and excess (deficiency) of revenue over expenses reported on the statement of operations and changes in fund balances for the years ended July 31, 2021 and July 31, 2020;
- the fund balances, at the beginning and end of the year, reported on the statement of operations and changes in fund balances for the years ended July 31, 2021 and July 31, 2020; and
- the excess (deficiency) of revenue over expenses reported on the statement of cash flows for the years ended July 31, 2021 and July 31, 2020.



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The predecessor auditor's opinion on the financial statements for the year ended July 31, 2020 was qualified accordingly because of the possible effect of this limitation in scope. We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity 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 qualified opinion.

Other Matters – Comparative Information

The financial statements for year ended July 31, 2020 were audited by another auditor who expressed a qualified opinion on these financial statements dated January 26, 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' 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 auditors' 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 the 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.



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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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Perth, Canada

January 27, 2022

PERTH AND DISTRICT COMMUNITY FOUNDATION

Statement of Financial Position

July 31, 2021, with comparative information for 2020

	Operating fund	Unrestricted fund	Restricted/ named funds	2021 Total	2020 Total
Assets					
Current assets:					
Cash	\$ 20,792	\$ –	\$ –	\$ 20,792	\$ 16,888
Accounts receivable	1,443	–	–	1,443	2,337
Due from restricted funds	312,569	–	–	312,569	255,367
	334,804	–	–	334,804	274,592
Investments (note 2)	–	110,482	5,156,199	5,266,681	3,631,549
	\$ 334,804	\$ 110,482	\$ 5,156,199	\$ 5,601,485	\$ 3,906,141

Liabilities and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	\$ 10,169	\$ –	\$ –	\$ 10,169	\$ 8,355
Deferred revenue	–	–	–	–	20,384
Due to operating fund	–	–	312,569	312,569	255,367
	10,169	–	312,569	322,738	284,106
Fund balances:					
Operating fund	324,635	–	–	324,635	245,853
Unrestricted fund	–	110,482	–	110,482	125,082
Restricted and named funds (note 3)	–	–	4,843,630	4,843,630	3,251,100
	324,635	110,482	4,843,630	5,278,747	3,622,035
	\$ 334,804	\$ 110,482	\$ 5,156,199	\$ 5,601,485	\$ 3,906,141

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

PERTH AND DISTRICT COMMUNITY FOUNDATION

Statement of Operations and Fund Balances

Year ended July 31, 2021, with comparative information for 2020

	Operating fund	Unrestricted fund	Restricted/ named funds	2021 Total	2020 Total
Revenue:					
Donations	\$ 10,325	\$ –	\$ 707,032	\$ 717,357	\$ 268,479
Grants from other foundations	166,460	–	–	166,460	125,643
Investment income	88,220	7,371	1,017,002	1,112,593	341,034
Casino fundraiser	–	–	–	–	15,943
Other income	2,224	–	–	2,224	13,582
	267,229	7,371	1,724,034	1,998,634	764,681
Expenses:					
Administrative:					
Marketing and advertising	674	–	–	674	3,125
Office and general	23,869	–	–	23,869	29,275
Salaries and benefits	49,388	–	–	49,388	42,248
Programs	1,500	–	–	1,500	15,757
Management fee	(42,626)	1,053	41,573	–	–
Internal transfers	19,711	(50,140)	30,429	–	–
Grants	135,931	71,058	59,502	266,491	217,457
	188,447	21,971	131,504	341,922	307,862
Excess (deficiency) of revenue over expenses	78,782	(14,600)	1,592,530	1,656,712	456,819
Fund balances, beginning of year	245,853	125,082	3,251,100	3,622,035	3,165,216
Fund balances, end of year	\$ 324,635	\$ 110,482	\$ 4,843,630	\$ 5,278,747	\$ 3,622,035

See accompanying notes to financial statements.

PERTH AND DISTRICT COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended July 31, 2021, with comparative information for 2020

	2021	2020
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	\$ 1,656,712	\$ 456,819
Unrealized capital gains	(908,842)	(495,595)
	747,870	(38,776)
Changes in non-cash operating working capital:		
Accounts receivable	894	12,610
Accounts payable and accrued liabilities	1,815	459
Deferred revenue	(20,384)	19,025
Cash flow from operating activities	730,195	(6,682)
Investing activities:		
Purchase of investments	(726,291)	(3,182)
Increase (decrease) in cash	3,904	(9,864)
Cash, beginning of year	16,888	26,752
Cash, end of year	\$ 20,792	\$ 16,888

See accompanying notes to financial statements.

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended July 31, 2021

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:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook – Accounting.

(a) 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:

- (i) The Unrestricted Fund reports resources that are required to be maintained by the Foundation on a permanent basis.
- (ii) 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.
- (iii) 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 expenses in the Operating Fund.

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

1. Significant accounting policies (continued):

(b) Investment income:

Investment income includes dividends, interest, realized gains (losses) and the net change in unrealized gains (losses) for the year.

(c) 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.

(d) 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.

(e) Expense recognition:

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

(f) Cash and cash equivalents:

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

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

1. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Foundation has elected to subsequently carry all of its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Foundation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(h) 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 July 31.

(i) Use of estimates:

The preparation of the financial statements 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 revenue and expenses during the year. Actual results could differ from those estimates.

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

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 as follows and are stated at market value.

	2021	2020
Cash and cash equivalents	\$ 144,921	\$ 130,396
Equities	4,644,634	3,074,779
Fixed income	443,831	426,374
Mutual funds	33,295	–
	<u>\$ 5,266,681</u>	<u>\$ 3,631,549</u>

During the year, the net investment income was \$1,112,593 (2020 - \$341,034), calculated as follows:

	2021	2020
Investment income	\$ 255,092	\$ 384,006
Unrealized gains	908,842	–
Investment fees	(51,341)	(42,972)
	<u>\$ 1,112,593</u>	<u>\$ 341,034</u>

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

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 July 31, 2021 consist of the following:

	2021	2020
Ageless Migration Fund	\$ 12,306	\$ 9,681
Allatt Fund	800	649
Anderson Family Fund	24,572	18,957
B Rogers Memorial Fund	4,787	4,175
Big Brothers Big Sisters	56,006	45,279
Bill Cuthbertson	9,275	7,526
Boysen Family	9,547	6,757
CARR Refugee	7,627	6,014
Donald Robertson	26,471	–
Dr. Gordon Jackson	39,215	30,925
Dr. Murray Wilson	7,255	6,447
Robert J. Ellard	71,277	51,666
Environmental	85,586	67,492
GKJ Community	246,163	199,742
Graham Family	18,710	15,181
Hill Lorraine Estate	1,196,891	971,186
Hollis Family	35,514	26,129
Ireton Fendley	5,190	3,184
Jacqui Bowick Sandor Second Chance	7,393	5,999
Ken Gray Memorial	480,356	382,432
Kiwanis Club of Perth Scholarship	22,845	–
Ladly Family	117,427	95,283
Laing Stuart and Sharon	142,630	115,468
Lanark County Community Justice Program	12,983	10,238
Marriner Family	22,125	16,976
McIntosh Perry	77,960	62,929
MERA Award of Excellence	21,600	18,029
Reta M. Miller	125,237	100,797
Munroe Family	16,437	12,353
Noble/Stolee	182,252	78,192
O'Connor Family	70,522	58,025
Perth Blue Wings Alumni	24,788	20,273
Perth Brewery	6,634	5,383
Perth Fire Dawgs	34,905	20,776
Perth and District Union Public Library Children's Literacy	544,809	389,361
Perth and District Union Public Library Collection Fund	63,937	50,420
Perth and District Union Public Library Donation and Bequest Endowed Fund	22,350	17,625
Amount to carry forward	3,854,392	2,931,549

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

3. Restricted and named funds (continued):

	2021	2020
Amount carried forward	\$ 3,854,392	\$ 2,931,549
Rotary	77,735	56,932
Smart and Caring Community	6,079	4,794
Smiths Falls Montague	11,906	7,968
St. James the Apostle Church Endowment	1,061	—
St. Paul's United Church	139,416	—
St. Paul's United Church	334,199	—
Strome/Drew	83,033	57,107
Tay Valley History Scholarship	55,109	43,439
The Table	148,823	45,133
Underhill McIntyre Family	9,413	6,809
VCK	34,854	28,281
Young Talent	34,877	27,503
Youth Action Kommittee	52,733	41,585
	\$ 4,843,630	\$ 3,251,100

4. Grants:

The Foundation incurs expenses 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 2021 totalled \$14,935 (2020 - \$14,963).

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

5. Financial risks and concentration of risk:

The fair values of cash, other accounts receivable and accounts payable and accrued liabilities, 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. The Foundation's risk management has not changed from the prior year.

(a) 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.

(b) 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.

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.

PERTH AND DISTRICT COMMUNITY FOUNDATION

Notes to Financial Statements (continued)

Year ended July 31, 2021

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 2021 and 2020 fiscal years are set out below.

	2021	2020
Revenue:		
Casino fundraiser (net)	\$ –	\$ 11,420
Fund management fee	40,000	31,000
Other income	86,000	37,500
	126,000	79,920
Expenses:		
Administration:		
Marketing and advertising	3,000	5,000
Office and general	29,520	35,061
Salaries and benefits	49,335	37,500
Programs	25,000	1,000
	106,855	78,561
Excess of revenue over expenses	\$ 19,145	\$ 1,359

8. Impact of COVID-19:

On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organization, resulting in significant global and local impacts. The Foundation maintained its core business activities. As of July 31, 2021, the local community was still dealing with the pandemic, which continues to have the potential to create financial stress on the organization.

While global investment markets experienced substantial volatility and downward valuation in the beginning of the year, the markets rebounded towards the end of the year. Although there was initial concern that donations to the Foundation may be negatively affected by COVID-19, donations remained consistent through the year compared to previous years.