

FUNDY COMMUNITY FOUNDATION
Financial Statements
Year Ended December 31, 2018

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Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of Fundy Community Foundation

Qualified Opinion

We have audited the financial statements of Fundy Community Foundation (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2018, 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.

Basis for Qualified Opinion

In common with many charitable organizations, the Foundation derives revenue from donations and bequests, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to contributions, excess of revenues over expenses, current assets and net assets. Our audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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 Foundation's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

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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.



Fredericton, New Brunswick
May 23, 2019

CHARTERED PROFESSIONAL ACCOUNTANTS

FUNDY COMMUNITY FOUNDATION**Statement of Financial Position****December 31, 2018**

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 18,693	\$ 58,157
Marketable securities (Note 4)	6,962,088	7,267,956
Accounts receivable	1,600	16
HST receivable	4,169	3,220
Prepaid expenses	1,831	824
	6,988,381	7,330,173
CAPITAL ASSETS (Note 5)	2,141	3,419
	\$ 6,990,522	\$ 7,333,592
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 5,897	\$ 5,748
Funds held on behalf of other parties (Note 6)	452,699	465,010
	458,596	470,758
NET ASSETS	6,531,926	6,862,834
	\$ 6,990,522	\$ 7,333,592

LEASE COMMITMENTS (Note 9)

ON BEHALF OF THE BOARD_____
Director_____
Director

See notes to financial statements

FUNDY COMMUNITY FOUNDATION

Statement of Operations

Year Ended December 31, 2018

	General Fund 2018	Restricted Funds 2018	Endowment Funds 2018	Total 2018	Total 2017
REVENUES					
Donations	\$ 102,998	\$ -	\$ 67,277	\$ 170,275	\$ 334,226
Management fees	6,983	-	-	6,983	6,177
Flow through donations	-	6,796	-	6,796	42,535
Interest income	29,821	37,783	-	67,604	68,002
Dividend income	78,608	99,593	-	178,201	127,288
Realized capital gain (loss)	22,778	28,859	-	51,637	94,264
Change in unrealized capital gain (loss)	(205,579)	(260,461)	-	(466,040)	95,962
Fundraising	12,804	-	-	12,804	-
	48,413	(87,430)	67,277	28,260	768,454
EXPENSES					
Restricted disbursements	-	117,938	-	117,938	74,284
Community grants	101,528	-	-	101,528	81,850
Flow through grants	-	8,971	-	8,971	46,849
Administration expenses (Schedule 1)	34,737	57,637	-	92,374	89,092
Investment management fees	13,294	16,843	-	30,137	25,720
Fundraising	8,220	-	-	8,220	-
	157,779	201,389	-	359,168	317,795
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES					
	\$ (109,366)	\$ (288,819)	\$ 67,277	\$ (330,908)	\$ 450,659

See notes to financial statements

FUNDY COMMUNITY FOUNDATION
Statement of Changes in Net Assets
Year Ended December 31, 2018

	General Fund	Restricted Funds	Endowment Funds	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 2,240,444	\$ 847,741	\$ 3,774,649	\$ 6,862,834	\$ 6,412,175
Deficiency of revenues over expenses	(109,366)	(288,819)	67,277	(330,908)	450,659
NET ASSETS - END OF YEAR	\$ 2,131,078	\$ 558,922	\$ 3,841,926	\$ 6,531,926	\$ 6,862,834

See notes to financial statements

FUNDY COMMUNITY FOUNDATION**Statement of Cash Flows****Year Ended December 31, 2018**

	2018	2017
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenses	\$ (330,908)	\$ 450,659
Items not affecting cash:		
Amortization of capital assets	1,278	862
Realized capital (gain) loss	(51,637)	(94,264)
Change in unrealized capital (gain) loss	466,040	(95,962)
	84,773	261,295
Changes in non-cash working capital:		
Accounts receivable	(1,584)	230
HST receivable	(949)	2,733
Accounts payable	149	304
Prepaid expenses	(1,007)	1,618
	(3,391)	4,885
Cash flow from operating activities	81,382	266,180
INVESTING ACTIVITIES		
Purchase of capital assets	-	(2,492)
Proceeds from sale of marketable securities	673,434	491,562
Purchase of investments	(781,969)	(821,778)
Funds obtained, held on behalf of other parties (net of disbursements)	8,130	68,265
Allocation of income items to funds held on behalf of other parties	(20,441)	16,453
Cash flow used by investing activities	(120,846)	(247,990)
INCREASE (DECREASE) IN CASH FLOW	(39,464)	18,190
Cash - beginning of year	58,157	39,967
CASH - END OF YEAR	\$ 18,693	\$ 58,157

See notes to financial statements

FUNDY COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2018

1. NATURE OF OPERATIONS

Fundy Community Foundation (the "Foundation") is a registered charity under the Income Tax Act (Canada) and as such is exempt from income taxes and is able to issue donation receipts for income tax purposes, provided certain requirements of the Income Tax Act continue to be met. The Foundation is classified as a public foundation, and was incorporated federally under the Canada Not-for-Profit Corporations Act.

The Foundation is also exempt from tax in the United States under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)3.

The Foundation was created to improve the quality of life for Southwest New Brunswick through the development of endowment funds, making responsible grants and fostering community leadership.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions.

Restricted contributions related to general operations are recognized as revenue of the General 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 General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions where the donor has stipulated that the contributed funds remain unspent in perpetuity are recognized as revenue in the Endowment Fund.

Cash and cash equivalents

Cash per the statement of financial position may include cash and/or cash equivalents. Cash equivalents are investments in fixed-income, highly liquid securities and are valued at cost plus accrued interest.

At year-end, there were no cash equivalents.

Cash and cash equivalents held in investment brokers' accounts is classified as marketable securities.

Capital assets

Capital assets are stated at cost less accumulated amortization and are amortized as follows:

Furniture and fixtures	5 years	straight-line method
Computer equipment	3 years	straight-line method

The Foundation regularly reviews its capital assets to eliminate obsolete items.

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FUNDY COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments

Investments are reported at fair value based on quoted market prices. Investment income includes interest, dividends, realized gains(losses) and the net change in unrealized gains/(losses) for the year.

The fair value of investments denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at year-end.

Purchases and sales of investments and investment income (loss) denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of the transactions.

Investment income is allocated to the Foundation's various funds based on the respective funds' average balance for the year and is reported in the financial statements as follows:

Endowment and Restricted Funds:

-Investment income is recognized either in the General or Restricted Funds, depending on the wishes of the donor.

-The Foundation does not maintain any Endowment funds whereby the donor has stipulated that a portion of the allocated investment income be permanently maintained.

General Fund:

-Investment income allocated to general purpose funds is recorded as income in the General Fund.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale, or issue of financial instruments are expensed when incurred.

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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Contributed services

The operations of the foundation depend on both the contribution of time by volunteers and donated materials from various sources. The fair value of donated materials and services cannot be reasonably determined and are therefore not reflected in these financial statements.

FUNDY COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2018

3. FINANCIAL INSTRUMENTS

The Foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the Foundation's risk exposure and concentration as of December 31, 2017.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The Foundation is mainly exposed risks related to fluctuations in the market prices of its marketable securities.

(b) Currency risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Foundation is exposed to foreign currency exchange risk on investments held in U.S. dollars in the Canadian dollar amount of \$2,122,337.

All financial instruments are reported at fair value.

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

The Foundation has adopted investment policies which are designed to avoid undue risk of loss, along with providing for a reasonable rate of return on the investments. The investment policy includes provisions to mitigate certain risks by providing limits on the amount of exposure on bond holdings, individual equity holdings, and geographic holdings of the portfolio. The risk management practices are primarily carried out by the Foundation's Investment Committee. This includes adherence to the investment guidelines and the oversight of a qualified professional portfolio manager. The portfolio manager actively manages the portfolio to offset these risks.

4. MARKETABLE SECURITIES

	2018	2017
Cash and cash equivalents	\$ 338,151	\$ 300,484
Canadian fixed income	2,113,294	2,385,834
Canadian equity	2,388,306	2,508,917
Foreign equity	2,122,337	2,072,721
	\$ 6,962,088	\$ 7,267,956

Investments are recorded at fair market value based on year-end quoted market prices.

5. CAPITAL ASSETS

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computer equipment	\$ 2,492	\$ 1,246	\$ 1,246	\$ 2,077
Furniture and fixtures	2,236	1,341	895	1,342
	\$ 4,728	\$ 2,587	\$ 2,141	\$ 3,419

FUNDY COMMUNITY FOUNDATION

Notes to Financial Statements

Year Ended December 31, 2018

6. FUNDS HELD ON BEHALF OF OTHER PARTIES

Asset balances held for other parties are included as investment assets of the Foundation, with an offsetting current liability amount as these funds may be withdrawn at any time.

	2018	2017
Due to Sunbury Shores Arts and Nature, Inc.	\$ 347,977	\$ 355,479
Due to St. Croix Estuary Project Inc	104,722	109,531
	\$ 452,699	\$ 465,010

7. RESTRICTED FUNDS

The Foundation's restricted funds are comprised of both internally and externally restricted funds as follows:

	2018	2017
Internally restricted	\$ 327,985	\$ 346,929
Externally restricted	230,937	500,812
	\$ 558,922	\$ 847,741

Administrative expenses and investment management fees are allocated between the Foundation's general and restricted funds based on the respective funds' average balance for the year.

During the year net investment income (loss) (dividends, interest, realized/unrealized gain/{loss}, less allocation of investment counsel fees and administrative expenses) earned (lost) on the Foundation's Endowment Funds of (\$203,533) (2017 - \$186,961) was allocated (\$35,098) (2017 - \$32,320) to the General Fund and (\$168,434) (2017 - \$154,641) to the Restricted Funds.

8. INTERFUND TRANSFERS

Interfund transfers recognizes Board decisions to move amounts from one fund to another based on the Board's direction for use.

9. LEASE COMMITMENTS

The Foundation is party to a lease with respect to its premises, with payments of \$99 per month. The lease terminates in May, 2020.

FUNDY COMMUNITY FOUNDATION
Administration expenses
December 31, 2018

(Schedule 1)

	2018	2017
ADMINISTRATIVE EXPENSES		
Wages and benefits	\$ 67,677	\$ 59,406
Amortization	1,278	862
Professional fees	6,916	6,393
Office and printing	4,323	4,645
Insurance	1,794	1,797
Travel and meetings	804	2,315
Telephone	2,686	2,571
Promotion	1,470	2,616
Rent	1,365	1,618
Conference and training	-	2,991
Annual report	895	895
Memberships	2,769	2,666
Bank charges	397	317
	\$ 92,374	\$ 89,092