

OAKVILLE COMMUNITY FOUNDATION
FINANCIAL STATEMENTS
AS AT
DECEMBER 31, 2015

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GLENN • GRAYDON • WRIGHT LLP
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members
Oakville Community Foundation

We have audited the accompanying financial statements of Oakville Community Foundation which comprise the statement of financial position as at December 31, 2015, and the statement of operations and changes in equity 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oakville Community Foundation as at December 31, 2015 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.

Glenn Graydon Wright LLP

Chartered Accountants
Licensed Public Accountants
Oakville, Ontario
March 30, 2016

OAKVILLE COMMUNITY FOUNDATION**Statement of financial position****As at December 31, 2015**

	2015	2014
Assets		
Current assets		
Cash and cash equivalents (Note 2(a))	\$ 212,935	\$ 277,887
Amounts recoverable	54,068	46,240
Prepaid expenses	15,976	27,490
	282,979	351,617
Investments (Notes 2(b), 4)	102,370,254	95,362,329
Capital assets (Notes 2(c), 5)	29,071	27,834
Other		
Cash surrender value on life insurance (Note 6)	31,181	29,181
	\$ 102,713,485	\$ 95,770,961
Liabilities and equity funds		
Current liabilities		
Accounts payable and accrued liabilities	\$ 20,365	\$ 33,726
Deferred revenue		55,213
Funds Held on Behalf of Community Organizations (Notes 2(d)(i), 7)	32,869,100	30,216,265
	32,889,465	30,305,204
Equity funds		
Endowed (Notes 2(d)(ii), 8)	52,907,944	52,325,075
Grant, Flow-Through Gifts and Community Project (Notes 2(d)(iii), 9)	16,166,651	12,442,455
Operating (Note 2(d)(iv))	124,814	240,843
Stabilization Reserve (Note 2(d)(v))	495,540	429,550
Capital (Notes 2(d)(vi), 10)	129,071	27,834
	69,824,020	65,465,757
	\$ 102,713,485	\$ 95,770,961

Approved by the Board



Director



Director


OAKVILLE COMMUNITY FOUNDATION

Statement of operations and changes in equity fund balances
For the year ended December 31, 2015

	Endowed Fund	Grant, Flow-Through Gifts and Community Project Funds	Operating Fund	Stabilization Reserve Fund	Capital Fund	2015 Total	2014 Total
Revenues							
Fund additions	\$ 857,862	2,938,413				\$ 3,796,275	\$ 14,653,484
Donations			87,582			87,582	125,916
Fundraising events			82,149			82,149	103,106
Investment income	1,627,925	816,845	23,953			2,468,723	4,107,440
Administration fees			823,885			823,885	708,241
Other income	7,755	103,713	72,964			184,432	200,095
	2,493,542	3,858,971	1,090,533			7,443,046	19,898,282
Expenses							
Administration	7,755	61,246	894,673		11,459	975,133	928,386
Fund development		63,918	93,117			157,035	121,876
Fundraising events			33,939			33,939	40,102
	7,755	125,164	1,021,729		11,459	1,166,107	1,090,364
Income for year	2,485,787	3,733,807	68,804		(11,459)	6,276,939	18,807,918
Transfers designated for granting	(1,958,559)	1,958,559					
Transfers between funds	55,641	(49,494)	(184,833)	65,990	112,696	(1,918,676)	(1,430,972)
Grants		(1,918,676)					
Equity fund balances, beginning of year	52,325,075	12,442,455	240,843	429,550	27,834	65,465,757	48,088,811
Equity fund balances, end of year	\$ 52,907,944	16,166,651	124,814	495,540	129,071	\$ 69,824,020	\$ 65,465,757



OAKVILLE COMMUNITY FOUNDATION**Statement of cash flows****For the year ended December 31, 2015**

	2015	2014
Cash flows from (used in) operating activities		
Income for year	\$ 6,276,939	\$ 18,807,918
Grants	(1,918,676)	(1,430,972)
Adjustment for		
Amortization of capital assets	11,459	11,096
	4,369,722	17,388,042
Changes in non-cash working capital		
(Increase) decrease in amounts recoverable	(7,828)	25,061
Decrease (increase) in prepaid expenses	11,514	(3,573)
(Decrease) increase in accounts payable and accrued liabilities	(13,361)	5,550
(Decrease) increase in deferred revenue	(55,213)	16,153
Increase in Funds Held on Behalf of Community Organizations	2,652,835	4,797,478
Cash flows from operating activities	6,957,669	22,228,711
Cash flows from (used in) investing activities		
Investments	(7,007,925)	(22,156,832)
Acquisition of capital assets	(12,696)	(3,212)
Cash surrender value on life insurance	(2,000)	(3,498)
Cash flows used in investing activities	(7,022,621)	(22,163,542)
Net (decrease) increase in cash during year	(64,952)	65,169
Cash and cash equivalents, beginning of year	277,887	212,718
Cash and cash equivalents, end of year	\$ 212,935	\$ 277,887



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

1. Incorporation and purpose

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. Significant accounting policies

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:

a) 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.

b) Investments and investment income

Investments are recorded at fair market value.

Investment income (loss) consists of interest and dividends received, realized and unrealized capital gains and losses, and is offset by 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.

c) 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



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

2. Significant accounting policies – continued

d) 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:

(i) 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.

(ii) Endowed Fund

Capital 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.

Some of the agreements for capital amounts placed in the Endowed 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 legally registered charitable foundation or registered charity.

(iii) Grant, Flow-Through Gifts and Community Project Funds

Grants

The Board of Directors approves all grants. 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 fundholder 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 the Ontario Endowment for Children and Youth in Recreation Fund, The Oakville Heritage Trust Fund, Oakville Environmental Fund and the Community Fund.

Flow-Through Gifts

The Foundation accepts Flow-Through Gifts. The original capital along with all income earned in the fund will be granted to registered charities. Since the amounts can be granted out at any time, they are reported in these financial statements with the Grants.



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

2. Significant accounting policies – continued

d) Funds – continued

(iii) Grant, Flow-Through Gifts and Community Project Funds – continued

Community Project

From 2011 through 2015, the Foundation, as the charitable administration partner, has been responsible for donations and grants directed to coordinate and support the work of the community project “Halton Poverty Roundtable”. This is a collaborative, multi-sector body finding innovative opportunities and resources to help integrate community efforts to address poverty in Halton.

In 2015, the Foundation received donations directed to produce Vital Signs, a tool for aligning community goal-setting, for promoting civic engagement and dialogue, and for measuring collective community success. Expenses for the project that exceeded donations received were funded through a transfer to Community Project Fund from the Operating Fund.

(iv) Operating Fund

The Operating Fund includes the administrative fees charged to funds as well as fundraising. The administrative expenses of the Foundation are charged to the Operating Fund.

(v) 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.

(vi) 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.

e) Revenue recognition

Endowed Fund, Grant and Flow-Through Gifts additions, donations, fundraising events, administration 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.

Investment income (loss) is recognized as described in Note 2(b).



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

2. Significant accounting policies – continued

f) 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.

g) Foreign currency translation

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 equity 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, 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 cost, except for investments, 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.

a) Market risk

Market risk is the risk that the fair market value or 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:

(i) Foreign currency risk

Foreign currency risk is the risk that the fair value or 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, 2015, \$40,819,053 or 40% (2014 - \$30,386,002 or 32%) of the investment portfolio was unhedged and subject to foreign currency exposure. The most significant exposure to currency risk is in U.S. dollars, \$29,554,802 or 29% (2014 - \$27,368,653 or 29%). Included in this U.S. dollar exposure are some global currencies that have been hedged back to the U.S. dollar.



3. Financial instruments – continued

a) Market risk - continued

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Interest rate risk is managed, to the degree possible, by allocating the fixed income portfolio among several professional investment managers with specific mandates with respect to credit risk, price risk and duration.

(iii) Other price risk

Other price risk is the risk that the fair value or 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.

(iv) 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.

b) 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 as set out in Note 12(b).

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 a list of 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, the maximum amounts of non-Canadian investments, and it prescribes limits around the quality and concentration of the investment portfolio.



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

4. Investments - continued

The funds within the Foundation's Investment Pool and all the Segregated Funds are subject to the Investment Policy of the Foundation. Segregated Funds are managed by Investment Counsel recommended by the fundholders and are not included in the Foundation's Pooled Funds. The asset mix is as follows:

	2015	%	2014	%
Oakville Community Foundation Pooled Funds				
Cash and cash equivalents	\$ 3,858,769	4	\$ 8,096,426	9
Fixed income	18,303,595	20	18,100,312	21
Mortgages	9,533,205	10	9,380,187	11
Canadian equities	18,975,131	21	24,564,050	29
Global equities	41,350,636	45	26,233,531	30
	<u>92,021,336</u>	<u>100</u>	<u>86,374,506</u>	<u>100</u>
Segregated Funds	<u>10,348,918</u>		<u>8,987,823</u>	
	<u>\$ 102,370,254</u>		<u>\$ 95,362,329</u>	

5. Capital assets

	Cost	Accumulated amortization	2015 Net	2014 Net
Office furniture	\$ 13,981	11,685	\$ 2,296	\$ 2,785
Computer equipment	35,610	25,289	10,321	3,093
Website development	38,678	32,006	6,672	9,843
Leasehold improvements	14,878	6,509	8,369	10,228
Software	77,100	75,687	1,413	1,885
	<u>\$ 180,247</u>	<u>151,176</u>	<u>\$ 29,071</u>	<u>\$ 27,834</u>

Amortization recorded during the year amounted to \$11,459 (2014 - \$11,096).

During the year, capital assets were acquired for cash at an aggregate cost of \$12,696 (2014 - \$3,212).

6. Cash surrender value on life insurance

The Foundation is the assignee and owner of life insurance policies totalling \$1,032,195 (2014 - \$1,030,245) with a cash surrender value of \$31,181 (2014 - \$29,181). The cash surrender value on these policies has been included in these statements.



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

7. 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:

	2015	2014
Balance, beginning of year	\$ 30,216,265	\$ 25,418,787
Capital additions	2,459,758	3,424,003
Income	1,216,345	2,122,686
Disbursements	(833,483)	(586,181)
Foundation cost recovery	(189,785)	(163,030)
Balance, end of year	<u>\$ 32,869,100</u>	<u>\$ 30,216,265</u>

With required notice, Funds Held on Behalf of Community Organizations are payable upon request.

8. Endowed Fund

The Endowed Fund includes \$11,565,729 (2014 - \$11,581,278) where the related agreements 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.

9. Grant, Flow-Through Gifts and Community Project Funds

The Grant, Flow-Through Gifts and Community Project Funds include \$11,918,907 (2014 - \$10,423,087) 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.

10. Capital Fund

The Capital Fund includes \$29,071 (2014 - \$27,834) in unamortized capital assets and \$100,000 (2014 - \$Nil) as a reserve for future acquisition of capital assets.

11. Transfers

Transfers represent reallocations within the equity funds of the Foundation. Transfers from the Endowed Fund to the Grant Fund are made to allow for future granting as defined by the Spending Policy of the Foundation. 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. Transfers from the Operating Fund to the Community Project Fund are made when expenses for community projects exceed donations received in support of these projects.



OAKVILLE COMMUNITY FOUNDATION

Notes to financial statements

As at December 31, 2015

12. 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:

2016	\$	33,333
2017		<u>8,334</u>
	\$	<u>41,667</u>

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

2016	\$	39,269
2017		14,130
2018		1,497
2019		1,497
2020		<u>749</u>
	\$	<u>57,142</u>

13. 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.

