Grant Thornton

Financial Statements

Niagara Community Foundation

December 31, 2019

Contents

Independent Auditor's Report

To the Directors of
Niagara Community Foundation

Opinion

We have audited the financial statements of Niagara Community Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2019, and the statements of operations, fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2019, and its financial performance 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.

Other matter

The financial statements of Niagara Community Foundation for the year ended December 31, 2018, were audited by Partridge Iggulden LLP Chartered Professional Accounts who expressed an unqualified opinion on those statements on April 25, 2019. The partners and staff of Partridge IIggulden LLP joined Grant Thorntion LLP subsequent to January 1, 2020.

Responsibilities of management and the board of directors for the financial statements

The Board of Directors are 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 the Board of Directors determine 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, the Board of Directors are 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 the Board of Directors either intend to liquidate the Foundation or to cease operations, or have no realistic alternative but to do so.

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

Independent Auditor's Report (continued)

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 the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Foundation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

St. Catharines, Canada
May 7, 2020

Chartered Professional Accountants
Licensed Public Accountants

Niagara Community Foundation
Statement of Financial Position

December 31			**2019**	2018
	Operating Fund	Endowment Fund	**Total**	Total
Assets				
Current				
Cash	$ 35,933	$ 836,309	**$ 872,242**	$ 1,481,277
Sales tax recoverable	16,855	-	**16,855**	7,361
Prepaid expenses	7,808	-	**7,808**	6,356
	60,596	836,309	**896,905**	1,494,994
Long-term				
Restricted cash	140,000	-	**140,000**	60,000
Investments (Note 3)	-	62,899,434	**62,899,434**	54,492,103
Fixed assets (Note 4)	1,988	-	**1,988**	2,651
	$ 202,584	$ 63,735,743	**$ 63,938,327**	$ 56,049,748
Liabilities				
Current				
Accounts payable and accrued liabilities (Note 5)	$ 39,583	$ -	**$ 39,583**	$ 23,004
Grants payable	-	306,136	**306,136**	300,042
Deferred revenue	-	-	**-**	17,751
	39,583	306,136	**345,719**	340,797
Fund balances				
Operating Fund				
Unrestricted	23,001	-	**23,001**	13,903
Internally Restricted	140,000	-	**140,000**	60,000
Endowment Fund	-	63,429,607	**63,429,607**	55,635,048
	163,001	63,429,607	**63,592,608**	55,708,951
	$ 202,584	$ 63,735,743	**$ 63,938,327**	$ 56,049,748

Commitment (Note 6)
Subsequent event (Note 14)

On behalf of the board

_______________ Director _______________ Director

Niagara Community Foundation
Statement of Operations

Year ended December 31 **2019** 2018

	Operating Fund	Endowment Fund	**Total**	Total
Revenues				
Donations	$ 38,669	$ 4,464,027	**$ 4,502,696**	$ 8,351,831
Flow through donations	-	153,329	**153,329**	101,170
Investment income (loss) (Note 3)	-	6,096,177	**6,096,177**	(425,453)
Administration fees (Note 7)	516,622	-	**516,622**	472,259
Special events and fundraising	65,382	173,549	**238,931**	271,150
Special projects (Note 8)	239,310	-	**239,310**	147,980
	859,983	10,887,082	**11,747,065**	8,918,937
Expenditures				
Administrative, governance, overhead	227,141	345,666	**572,807**	557,777
Administration fees (Note 7)	-	516,622	**516,622**	472,259
Charitable programs	147,755	-	**147,755**	125,743
Fund development	149,786	83,295	**233,081**	236,669
Salaries and benefits	3,331	-	**3,331**	-
Special projects (Note 8)	242,872	-	**242,872**	147,980
	770,885	945,583	**1,716,468**	1,540,428
Excess of revenues over expenditures before grants	89,098	9,941,499	**10,030,597**	7,378,509
Grants	-	2,146,940	**2,146,940**	1,984,261
Excess of revenues over expenditures	$ 89,098	$ 7,794,559	**$ 7,883,657**	$ 5,394,248

Niagara Community Foundation
Statement of Fund Balances
Year ended December 31, 2019

	Operating Fund			
	Unrestricted	**Internally Restricted**	**Endowment Fund**	**Total**
Balance, beginning of year	**$ 13,903**	**$ 60,000**	**$ 55,635,048**	**$ 55,708,951**
Excess of revenues over expenditures	**89,098**	**-**	**7,794,559**	**7,883,657**
Transfers	**(80,000)**	**80,000**	**-**	**-**
Balance, end of year	**$ 23,001**	**$ 140,000**	**$ 63,429,607**	**$ 63,592,608**

Year ended December 31, 2018

	Operating Fund			
	Unrestricted	Internally Restricted	Endowment Fund	Total
Balance, beginning of year	$ 1,939	$ -	$ 50,312,764	$ 50,314,703
Excess of revenues over expenditures	71,964	-	5,322,284	5,394,248
Transfers	(60,000)	60,000	-	-
Balance, end of year	$ 13,903	$ 60,000	$ 55,635,048	$ 55,708,951

Niagara Community Foundation
Statement of Cash Flows

Year ended December 31	**2019**	2018
Increase (decrease) in cash		
Operating		
Excess of revenues over expenditures	**$ 7,883,657**	$ 5,394,248
Add (deduct) items not affecting cash		
Amortization	**663**	446
In-kind donations of investment securities (Note 12)	**(1,874,098)**	(2,280,386)
Reinvested investment (income) loss (Note 3)	**(6,096,177)**	425,453
	(85,955)	3,539,761
Changes in non-cash working capital items		
Accounts receivable	**(9,494)**	12,373
Prepaid expenses	**(1,452)**	(1,293)
Accounts payable and accrued charges	**16,579**	(1,048)
Grants payable	**6,094**	25,538
Deferred revenue	**(17,751)**	12,347
	(91,979)	3,587,678
Investing		
Purchase of investments	**(2,497,740)**	(6,440,652)
Withdrawals from investments	**2,060,684**	3,243,553
	(437,056)	(3,197,099)
Increase (decrease) in cash	**(529,035)**	390,579
Cash		
Beginning of year	**1,541,277**	1,150,698
End of year	**$ 1,012,242**	$ 1,541,277

Cash is represented by the following		
Cash	**$ 872,242**	$ 1,481,277
Restricted cash	**140,000**	60,000
	$ 1,012,242	$ 1,541,277

1. Purpose of foundation and legal form

Niagara Community Foundation (the "Foundation") is a public foundation registered under the Canada Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act (Canada).

The Foundation primarily serves the Niagara Region by building endowed charitable funds for the changing needs and opportunities of the community.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), and reflect the following policies:

Revenue Recognition

The Foundation follows the restricted fund method of accounting for contributions. Contributions that the donor has required to be held in perpetuity are recognized as revenue in the Endowment Fund. Restricted contributions for purposes other than endowment are reported in the operating fund and recognized as revenue in the year in which related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledged donations are not recorded until received due to the uncertainty involved in their collection.

Investment income is recognized when interest income is earned and dividends are declared.

Donated goods and services

Donated goods or services are recognized when fair value can be reasonably estimated, the materials or services are used in the normal course of operations and the organization would have purchased the materials or services if they had not been donated.

Fund Accounting

The Operating Fund reports resources available for the Foundation's general operating activities including fixed assets and includes Unrestricted surplus and an Internally Restricted Reserve. The Internally Restricted Reserve may be used to help meet the Foundation's grant making needs within the purview of the Foundation's mission, and to help finance the Foundation's operating needs, as required and determined from time to time at the discretion of the Board.

The Endowment Fund reports resources contributed for endowment that are required to be maintained by the Foundation. Donors generally provide permission to encroach on capital when necessary. Some endowment funds hold the capital in perpetuity and other endowment funds disburse capital and earnings over an agreed upon schedule.

2. Significant accounting policies (continued)

Fixed Assets and Amortization

Fixed assets are recorded at cost. Expenditures for maintenance and repairs are charged to operating expenses. Amortization is calculated using the declining-balance method at rates designed to amortize the cost of fixed assets as follows:

Equipment and furnishings	20%
Computer equipment	30%

Additions during the year are amortized from the month of acquisition. Disposals are depreciated until the month of disposition. Gains or losses on assets sold or otherwise disposed of are included in the statement of operations. Fixed assets are tested for impairment when changes in circumstances indicate the asset could be impaired.

Disclosure of Allocated Expenses

The Foundation's operations include administrative, governance, overhead, charitable programs and funds development expenditures. The costs of each function include the costs of personnel that are directly related to carry out these activities.

The Foundation allocates salaries and benefits proportionately based on the time spent by personnel to carry out these activities.

Financial Instruments

Financial instruments are comprised of cash, accounts receivable, investments, accounts payable and accrued liabilities, and grants payable.

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, investments are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

When there is an indication of impairment, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in net income. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

2. Significant accounting policies (continued)

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure and the reported amounts of revenue and expenses during the reporting period. The main estimates relate to the fair value of assets acquired and liabilities assumed. Actual results could differ from those estimates.

3. Investment and investment income

The Foundation's policy is to optimize the total return and maximize distribution of endowed funds while at the same time ensuring the sensible protection of capital against the effect of inflation. This will be accomplished through preserving original capital, except in cases where the disbursement quota cannot be met through net interest and dividend income. In years where current or accumulated earnings are not sufficient, the distribution may be drawn from the Capital, as defined in the fund agreements, in each fund.

The Foundation holds $47,443,373 (2018: $42,029,386) of its investments in a pooling arrangement with Toronto Foundation ("TF"). The TF administers the pooled fund and reports the pro rata share of the Foundation's investment. The Foundation may withdraw their investment at any time. Investment income earned on investments held by the Foundation are allocated to the Funds based on monthly market values.

Certain endowed Funds are invested outside the Foundations main investment pool with TF. These Funds are managed by external investment managers.

Investments are measured at fair value and are invested as follows:

	2019		2018	
Cash	**$ 2,595,440**	**4.1 %**	$ 2,132,447	3.9 %
Canadian equities	**11,337,492**	**18.0**	9,333,905	17.1
Global equities	**23,591,627**	**37.5**	18,399,134	33.8
Fixed Income Bonds	**11,521,410**	**18.3**	11,975,771	22.0
Other investments	**13,853,465**	**22.1**	12,650,846	23.2
	$ 62,899,434	**100.0 %**	$ 54,492,103	100.0 %

3. Investments and investment income (continued)

Other investments include the fair market value of certain alternative investments including infrastructure, private equity, venture capital, real estate, commodities, non-equities, foreign exchange or any other investment not categorized.

Income (loss) on funds invested are as follows:

	2019	2018
Interest and dividends	**$ 1,689,899**	$ 1,538,750
Realized gains	**1,453,467**	1,578,109
Unrealized gains (losses)	**2,952,811**	(3,542,312)
Investment income (loss)	**$ 6,096,177**	$ (425,453)

4. Fixed assets

	Cost	Accumulated Amortization	**2019 Net Book Value**	2018 Net Book Value
Equipment and furnishings	12,771	11,717	**1,054**	1,317
Computer equipment	12,891	11,957	**934**	1,334
	$ 25,662	$ 23,674	**$ 1,988**	$ 2,651

5. Account payable and accrued liabilities

	2019	2018
Accounts payable and accrued liabilities	**$ 32,724**	$ 17,361
Source deductions payable	**6,859**	5,643
	$ 39,583	$ 23,004

6. Commitment

The Foundation leases space in a building at 8 Church Street, St. Catharines with the lease expiring on September 30, 2020. Minimum lease payments in the next year are $5,641.

7. Administration fees

Administration fees are charged on endowment fund balances at rates varying from 0.5% to 1.25% per annum. There is a minimum fee of $50 per fund for the year on endowment fund balances which could be waived depending on the agreement.

Fees on restricted flow through donations vary based on the agreement.

8. Special projects

Special projects are represented by amounts received to fund the Great Lakes One Water Partnership ("GL"), Niagara Prosperity Initiative ("NPI") and the Binational Prosperity Project "(BPP").

Revenues and expenses for the year are as follows:

	2019			2018
	GL	NPI	**Total**	Total
Revenue	$ 154,995	$ 84,315	**$ 239,310**	$ 147,980
Expenses				
Consulting	$ 154,995	$ 75,139	**$ 230,134**	$ 137,286
Office and general	-	9,713	**9,713**	8,390
Travel	-	3,025	**3,025**	2,304
	$ 154,995	$ 87,877	**$ 242,872**	$ 147,980

9. Allocation of expenses

Salaries and benefits expenses incurred during the year amounted to $289,732 (2018: $267,944). These expenses have been allocated on the Statement of Revenue, Expenses and Fund Balances as follows:

	2019	2018
Administrative, governance, overhead	**$ 56,557**	$ 53,475
Charitable programs	**107,060**	98,106
Fund development	**126,115**	116,363
	$ 289,732	$ 267,944

10. Pledges

As at December 31, 2019, pledges expected to be received in future years total $104,395 (2018: $342,733). These amounts are not reflected in the financial statements.

11. Life insurance policies

The Foundation is the owner and beneficiary of certain life insurance policies. The face value of the policies is $617,015 (2018: $505,668). This amount is not reflected in the financial statements.

12. Gifts-in-kind

During the year, the Foundation received $1,899,338 (2018: $2,301,930) of gifts-in-kind which are recorded in donations and special events revenue. The majority of gifts-in-kind relate to endowment donations of investment securities totaling $1,874,098 (2018: $2,280,386) which are liquidated shortly after being received.

13. Financial risks and concentration of risk

The Foundation is exposed to various risks through its financial instruments. The following analysis provides a measure of the Foundation's risk exposures and concentrations of risk.

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. There was no significant change in exposure from the prior year.

The Foundation is exposed to credit risk in the event of non-performance by counterparties in connection with its investments. Management has an investment policy in place to reduce exposure to credit risk with a balanced and diversified portfolio.

(b) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain a sufficient cash position to manage requirements.

(c) Market risk

Market risk is the risk that the fair value or expected future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk on its foreign market investments as prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective for the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio.

13. Financial risks and concentration of risk (continued)

(i) 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 market interest rates. The Foundation is invested in a number if fixed income instruments, individual bonds and loans, pooled bond funds, as well as pooled mortgage funds. The Foundation's portfolio managers limit the duration of fixed income holdings in their portfolios in order to accommodate possible changes in interest rate.

(i) Other price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. There was no significant change in exposure from the prior year.

The Foundation is exposed to the effects of the market fluctuations related to its investments as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The objective for the Foundation's investment policy is to manage other price risk by maintaining a geographically diversified portfolio.

14. Subsequent event

Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. As at March 31, 2020, the fair value of the Organization’s investments had declined over $6 million to the following amounts:

Cash	**$ 2,440,492**	**4.3** %
Canadian equities	**9,157,917**	**16.2**
Global equities	**19,853,739**	**35.1**
Fixed Income Bonds	**12,259,156**	**21.6**
Other investments	**12,927,761**	**22.8**
	$ 56,639,065	**100.0** %

While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

These subsequent changes in the fair value of the Organization’s investments are not reflected in the financial statements as at December 31, 2019.