



Financial Statements

Niagara Community Foundation

December 31, 2020

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# 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, 2020, 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, 2020, 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.

## 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.

## 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:

## Independent Auditor's Report (continued)

- 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.

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 14, 2021

Chartered Professional Accountants  
Licensed Public Accountants

# Niagara Community Foundation Statement of Financial Position

December 31

2020

2019

## Assets

### Current

Cash	\$ 1,006,315	\$ 1,012,242
Sales tax recoverable	17,505	16,855
Prepaid expenses	<u>6,610</u>	<u>7,808</u>
	<u>1,030,430</u>	<u>1,036,905</u>

### Long-term

Cash surrender value of life insurance policies (Note 3)	82,161	-
Investments (Note 4)	64,265,146	62,899,434
Equipment (Note 5)	<u>1,497</u>	<u>1,988</u>

	<u>\$ 65,379,234</u>	<u>\$ 63,938,327</u>
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## Liabilities

### Current

Accounts payable and accrued liabilities (Note 6)	\$ 15,056	\$ 39,583
Deferred revenue	<u>206,709</u>	<u>306,136</u>
	<u>221,765</u>	<u>345,719</u>

## Fund balances

### Operating Fund

Unrestricted	164,945	23,001
Internally Restricted	240,000	140,000

### Endowment Fund

	60,583,347	58,053,679
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### Restricted Fund

	<u>4,169,177</u>	<u>5,375,928</u>
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	<u>\$ 65,379,234</u>	<u>\$ 63,938,327</u>
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Commitment (Note 7)

On behalf of the board



\_\_\_\_\_  
Director



\_\_\_\_\_  
Director

# Niagara Community Foundation

## Statement of Operations

Year ended December 31

2020

2019

	Operating Fund	Restricted Fund	Endowment Fund	Total	Total
Revenues					
Donations	\$ 474,568	\$ -	\$ 2,751,502	<b>\$ 3,226,070</b>	\$ 4,656,025
Investment income (Note 4)	-	2,193,270	-	<b>2,193,270</b>	6,096,177
Special events and fundraising	56,950	57,503	-	<b>114,453</b>	238,930
Special grants and projects (Note 9)	<u>1,552,344</u>	<u>-</u>	<u>-</u>	<b><u>1,552,344</u></b>	<u>239,310</u>
	<u>2,083,862</u>	<u>2,250,773</u>	<u>2,751,502</u>	<b><u>7,086,137</u></b>	<u>11,230,442</u>
Expenses					
Administrative, governance, and overhead	234,735	381,106	-	<b>615,841</b>	576,138
Charitable programs	154,642	-	-	<b>154,642</b>	147,755
Fund development	183,721	45,131	-	<b>228,852</b>	233,081
Special grants and projects (Note 9)	<u>1,458,493</u>	<u>-</u>	<u>-</u>	<b><u>1,458,493</u></b>	<u>242,871</u>
	<u>2,031,591</u>	<u>426,237</u>	<u>-</u>	<b><u>2,457,828</u></b>	<u>1,199,845</u>
Excess (deficiency) of revenues over expenses before other items	<u>52,271</u>	<u>1,824,536</u>	<u>2,751,502</u>	<b><u>4,628,309</u></b>	<u>10,030,597</u>
Other items					
Administration fees (Note 8)	560,061	(560,061)	-	-	-
Grants	<u>(370,388)</u>	<u>(2,693,060)</u>	<u>-</u>	<b><u>(3,063,448)</u></b>	<u>(2,146,940)</u>
	<u>189,673</u>	<u>(3,253,121)</u>	<u>-</u>	<b><u>(3,063,448)</u></b>	<u>(2,146,940)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 241,944</u>	<u>\$ (1,428,585)</u>	<u>\$ 2,751,502</u>	<b><u>\$ 1,564,861</u></b>	<u>\$ 7,883,657</u>

# Niagara Community Foundation

## Statement of Fund Balances

Year ended December 31, 2020

	Operating Fund		Restricted Fund	Endowment Fund	Total
	Unrestricted	Internally Restricted			
Balance, beginning of year	\$ 23,001	\$ 140,000	\$ 5,375,928	\$ 58,053,679	\$ 63,592,608
Excess (deficiency) of revenues over expenses	241,944	-	(1,428,585)	2,751,502	1,564,861
Transfer to internally restricted	(100,000)	100,000	-	-	-
Transfer capital from Endowment Fund	-	-	221,834	(221,834)	-
Balance, end of year	<u>\$ 164,945</u>	<u>\$ 240,000</u>	<u>\$ 4,169,177</u>	<u>\$ 60,583,347</u>	<u>\$ 65,157,469</u>

Year ended December 31, 2019

	Operating Fund		Restricted Fund	Endowment Fund	Total
	Unrestricted	Internally Restricted			
Balance, beginning of year	\$ 13,903	\$ 60,000	\$ 2,015,199	\$ 53,619,849	\$ 55,708,951
Excess (deficiency) of revenues over expenses	89,098	-	3,278,320	4,516,239	7,883,657
Transfer to internally restricted	(80,000)	80,000	-	-	-
Transfer capital from Endowment Fund	-	-	82,409	(82,409)	-
Balance, end of year	<u>\$ 23,001</u>	<u>\$ 140,000</u>	<u>\$ 5,375,928</u>	<u>\$ 58,053,679</u>	<u>\$ 63,592,608</u>

# Niagara Community Foundation

## Statement of Cash Flows

Year ended December 31

2020

2019

Decrease in cash

Operating

Excess of revenues over expenses	<b>\$ 1,564,861</b>	\$ 7,883,657
Add (deduct) items not affecting cash		
Amortization	491	663
In-kind donations of investment securities (Note 11)	<b>(1,085,003)</b>	(1,874,098)
Reinvested investment income (Note 4)	<b>(2,193,270)</b>	(6,096,177)
Change in cash surrender value of life insurance policies	<b>(82,161)</b>	-
	<u><b>(1,795,082)</b></u>	<u>(85,955)</u>

Changes in non-cash working capital items

Accounts receivable	<b>(650)</b>	(9,494)
Prepaid expenses	1,198	(1,452)
Accounts payable and accrued charges	<b>(24,527)</b>	16,579
Deferred revenue	<b>(99,427)</b>	(11,657)
	<u><b>(1,918,488)</b></u>	<u>(91,979)</u>

Investing

Purchase of investments	<b>(837,409)</b>	(2,497,740)
Withdrawals from investments	<b>2,749,970</b>	2,060,684
	<u><b>1,912,561</b></u>	<u>(437,056)</u>

Decrease in cash

**(5,927)**      (529,035)

Cash

Beginning of year	<u><b>1,012,242</b></u>	<u>1,541,277</u>
End of year	<u><b>\$ 1,006,315</b></u>	<u>\$ 1,012,242</u>



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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2020

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### 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.

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### 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:

#### Fund accounting

The Operating Fund reports resources available for the Foundation's general operating activities 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 Restricted Fund comprises the resources that are to be used for specific purposes as specified by the Endowment donor. This includes the administrative fees and other expenses, grants and related investment revenues associated with the Endowment Fund.

The Endowment Fund reports resources contributed for endowment that are required to be permanently maintained by the Foundation and funds endowed by Board policy, where there is no intention on making the original contributions available for grants. In years where the Restricted Fund's accumulated income is not sufficient to distribute the minimum distribution as required by Canada Revenue Agency, these amounts may be drawn from the capital of the Endowment Fund.

#### 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 as deferred revenue and recognized 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.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2020

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### 2. Significant accounting policies (continued)

#### Equipment and amortization

Equipment is recorded at cost. Amortization is calculated using the declining-balance method at rates designed to amortize the cost over the useful life of the assets as follows:

Equipment and furnishings	20%
Computer equipment	30%

#### 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 initially measure 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.

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

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.

#### Estimates

Management reviews the carrying amounts of items in the financial statements at each balance sheet date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to net income as appropriate in the year they become known.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2020

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### 3. Cash surrender value of life insurance policies

The Foundation is the owner and beneficiary of certain life insurance policies. The face value of the policies is \$605,262 (2019: \$617,015).

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### 4. Investment and investment income

The Foundation's policy is to optimize the returns in order to maximize funds available to be granted while at the same time ensuring the sensible protection of capital against the effect of inflation. This will be accomplished through preserving original endowed funds, 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 \$48,453,416 (2019: \$47,443,373) 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:

	<u>2020</u>		<u>2019</u>	
Cash	\$ 873,888	1.4 %	\$ 2,595,440	4.1 %
Canadian equities	8,873,835	13.8	11,337,492	18.0
Global equities	24,907,902	38.8	23,591,627	37.5
Fixed income bonds	10,518,875	16.4	11,521,410	18.3
Other investments	<u>19,090,646</u>	<u>29.6</u>	<u>13,853,465</u>	<u>22.1</u>
	<u>\$ 64,265,146</u>	<u>100.0 %</u>	<u>\$ 62,899,434</u>	<u>100.0 %</u>

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:

	<u>2020</u>	<u>2019</u>
Interest and dividends	\$ 2,003,562	\$ 1,689,899
Realized gains	1,034,676	1,453,467
Unrealized gains (losses)	<u>(844,968)</u>	<u>2,952,811</u>
Investment income	<u>\$ 2,193,270</u>	<u>\$ 6,096,177</u>

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## Niagara Community Foundation Notes to the Financial Statements

December 31, 2020

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### 5. Equipment

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2020 Net Book Value</u>	<u>2019 Net Book Value</u>
Equipment and furnishings	12,771	11,928	843	1,054
Computer equipment	<u>12,891</u>	<u>12,237</u>	<u>654</u>	<u>934</u>
	<u>\$ 25,662</u>	<u>\$ 24,165</u>	<u>\$ 1,497</u>	<u>\$ 1,988</u>

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### 6. Account payable and accrued liabilities

	<u>2020</u>	<u>2019</u>
Accounts payable and accrued liabilities	<u>\$ 15,056</u>	\$ 32,724
Source deductions payable	<u>-</u>	<u>6,859</u>
	<u>\$ 15,056</u>	<u>\$ 39,583</u>

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### 7. Commitment

The Foundation leases office space at 8 Church Street, St. Catharines in an agreement expiring on October 31, 2025. Minimum lease payments in the next five years are as follows:

Year ending December 31,	
2021	\$ 7,521
2022	7,521
2023	7,521
2024	7,521
2025	<u>6,268</u>
	<u>\$ 36,352</u>

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### 8. 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.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2020

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### 9. Special grants and projects

Special grants and projects are represented by amounts received to fund the Great Lakes One Water Partnership ("GL"), Niagara Prosperity Initiative ("NPI") and the Investment Readiness Program and Emergency Community Support Fund ("IRP/ECSP").

Year ended December 31, 2020

	<u>GL</u>	<u>NPI</u>	<u>IRP/ECSP</u>	<u>Total</u>
Revenue	\$ -	\$ 50,000	\$ 1,502,344	<b>\$ 1,552,344</b>
Expenses				
Consulting	\$ 10,000	\$ 40,685	\$ -	<b>\$ 50,685</b>
Grants	-	-	1,393,153	<b>1,393,153</b>
Office and general	-	13,657	526	<b>14,183</b>
Travel	-	472	-	<b>472</b>
	<u>\$ 10,000</u>	<u>\$ 54,814</u>	<u>\$ 1,393,679</u>	<u><b>\$ 1,458,493</b></u>

Year ended December 31, 2019

	<u>GL</u>	<u>NPI</u>	<u>Total</u>
Revenue	<u>\$ 154,995</u>	<u>\$ 84,315</u>	<u>\$ 239,310</u>
Expenses			
Consulting	\$ 154,995	\$ 75,139	\$ 230,134
Office and general	-	9,712	9,712
Travel	-	3,025	3,025
	<u>\$ 154,995</u>	<u>\$ 87,876</u>	<u>\$ 242,871</u>

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### 10. Allocation of expenses

Salaries and benefits expenses incurred during the year amounted to \$343,110 (2019: \$289,733). These expenses have been allocated on the Statement of Operations as follows:

	<u>2020</u>	<u>2019</u>
Administrative, governance, overhead	<b>\$ 55,717</b>	\$ 56,557
Charitable programs	<b>105,163</b>	107,060
Fund development	<b>182,230</b>	126,115
	<u><b>\$ 343,110</b></u>	<u>\$ 289,732</u>

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2020

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### 11. Gifts-in-kind

During the year, the Foundation received \$1,102,922 (2019: \$1,899,338) 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 \$1,085,003 (2019: \$1,874,098) which are liquidated shortly after being received.

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### 12. 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.

##### (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 of 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.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2020

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### 12. Financial risks and concentration of risk (continued)

(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.

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### 13. Comparative figures

The prior year's financial statements have been restated to reflect the presentation adopted in the current year.

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### 14. COVID-19

The spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Foundation for future periods.