

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Financial Statements
Year Ended December 31, 2018

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
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Year Ended December 31, 2018

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Fred Earle

Chartered Professional Accountant

INDEPENDENT AUDITOR'S REPORT

To the Members of The Community Foundation of Newfoundland and Labrador

Qualified Opinion

I have audited the financial statements of The Community Foundation of Newfoundland and Labrador (the Foundation), which comprise the statement of financial position as at December 31, 2018, and the statements of revenues and expenditures, changes in net assets and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of my 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 flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the Foundation. Therefore, I was not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2018, current assets and net assets as at December 31, 2018. My audit opinion on the financial statements for the year ended December 31, 2017 was modified accordingly because of the possible effects of this limitation of scope.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Foundation in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with those requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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
(continues)

Independent Auditor's Report to the Members of The Community Foundation of Newfoundland and Labrador *(continued)*

process.

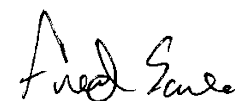
Auditor's Responsibilities for the Audit of the Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my 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.

I 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 I identify during my audit.

St. John's, Newfoundland and Labrador
August 22, 2019



CHARTERED PROFESSIONAL ACCOUNTANT

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Financial Position
December 31, 2018

	2018	2017
ASSETS		
CURRENT		
Cash	\$ 98,498	\$ 159,919
HST recoverable	3,817	2,486
Accounts receivable	12,120	-
Prepaid expenses	425	-
	<u>114,860</u>	162,405
MARKETABLE SECURITIES	1,398,822	1,327,566
CASH SURRENDER VALUE OF LIFE INSURANCE	<u>116,787</u>	114,371
	<u>\$ 1,630,469</u>	<u>\$ 1,604,342</u>
LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 14,488	\$ 28,297
Employee deductions payable	-	1,873
	<u>14,488</u>	<u>30,170</u>
NET ASSETS		
Smart and Caring Community Fund	176,564	197,287
Externally Restricted Funds (Note 5)	1,520,425	1,442,824
Operating Fund	<u>(81,008)</u>	<u>(65,939)</u>
	<u>1,615,981</u>	1,574,172
	<u>\$ 1,630,469</u>	<u>\$ 1,604,342</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Revenues and Expenditures
Year Ended December 31, 2018

	2018	2017
REVENUES		
Statement of Revenues and Expenditures - Smart and Caring Community Fund (<i>Schedule 1</i>)	\$ 1,408	\$ 171,474
Statement of Revenues and Expenditures - Externally Restricted Funds (<i>Schedule 2</i>)	148,512	256,248
Statement of Revenues and Expenditures - Operating Fund (<i>Schedule 3</i>)	<u>33,052</u>	<u>30,794</u>
	<u>182,972</u>	<u>458,516</u>
EXPENDITURES		
Statement of Revenues and Expenditures - Smart and Caring Community Fund (<i>Schedule 1</i>)	22,131	165,555
Statement of Revenues and Expenditures - Externally Restricted Funds (<i>Schedule 2</i>)	70,911	117,499
Statement of Revenues and Expenditures - Operating Fund (<i>Schedule 3</i>)	<u>48,121</u>	<u>59,141</u>
	<u>141,163</u>	<u>342,195</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 41,809</u>	<u>\$ 116,321</u>

The notes are an integral part of these financial statements

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Changes in Net Assets
Year Ended December 31, 2018

	Smart and Caring Community Fund (Schedule 1)	Externally Restricted Funds (Schedule 2)	Operating Fund (Schedule 3)	2018	2017
NET ASSETS - BEGINNING OF YEAR	\$ 197,287	\$ 1,442,824	\$ (65,939)	\$ 1,574,172	\$ 1,457,851
Excess of revenues over expenditures	(20,723)	77,601	(15,069)	41,809	116,321
NET ASSETS - END OF YEAR	\$ 176,564	\$ 1,520,425	\$ (81,008)	\$ 1,615,981	\$ 1,574,172

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Statement of Cash Flow

Year Ended December 31, 2018

	2018	2017
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 41,809	\$ 116,321
Changes in non-cash working capital:		
HST recoverable	(1,331)	1,562
Accounts receivable	(12,120)	-
Accounts payable	(13,809)	(8,536)
Deferred income	-	(32,061)
Prepaid expenses	(425)	-
Employee deductions payable	(1,873)	1,175
	<u>(29,558)</u>	<u>(37,860)</u>
Cash flow from operating activities	<u>12,251</u>	<u>78,461</u>
INVESTING ACTIVITIES		
Change in marketable securities	(71,256)	(60,540)
Change in cash surrender value of life insurance	(2,416)	(8,593)
Cash flow used by investing activities	<u>(73,672)</u>	<u>(69,133)</u>
INCREASE (DECREASE) IN CASH FLOW	(61,421)	9,328
Cash - beginning of year	<u>159,919</u>	<u>150,591</u>
CASH - END OF YEAR	\$ 98,498	\$ 159,919

The notes are an integral part of these financial statements

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2018

1. PURPOSE OF THE ORGANIZATION

The Community Foundation of Newfoundland and Labrador (the "Foundation") was incorporated without share capital pursuant to the provisions of Part II of the Canada Corporations Act on November 21, 2001 for the purpose of promoting the well-being of the people and community of Newfoundland and Labrador.

As a registered charity, the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

2. BASIS OF PRESENTATION

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash is defined as cash on hand, cash on deposit, and short-term deposits with maturity dates of less than 90 days, net of cheques issued and outstanding at the reporting date.

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.

Income taxes

As a registered charity, the Foundation is exempt from the payment of income tax under Section 149(1) of the Income Tax Act.

Fund accounting

The Community Foundation of Newfoundland and Labrador follows the restricted fund method of accounting for contributions.

- The Operating Fund accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted resources and restricted operating grants.
- The Smart and Caring Community Fund accounts for resources contributed that have been entrusted to the Foundation's Board of Directors to manage, and as such are considered internally restricted.
- Externally Restricted Funds account for resources contributed for donor-designated endowment funds and investment income earned on resources of the Externally Restricted Funds. Distributions from the Externally Restricted Funds are as advised by the donors.

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THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

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 to the Smart and Caring Community Fund are held by the Foundation's Board of Directors as endowments.

Investment income earned on endowments is recognized when received and is recorded according to the wishes of the providers of the endowment funds. Investment income earned on donor-designated funds, the Smart and Caring Community and the Operating Fund is recognized when received and is recorded as revenue of the respective fund.

Administration fees are calculated based on the average net assets of each fund, and are recorded as revenue of the Operating Fund.

Marketable securities

Investments for which there are quoted prices in an active market are carried at fair value. Unrealized gains or losses are reported as part of net income. Investments for which there is not an active market are carried at amortized cost except when it is established that their value is impaired. Impairment losses, or reversal of previously recognized impairment losses, are reported as part of net income.

Contributed services

The Foundation may receive goods at no cost from donors. Significant donations are recorded at their estimated fair value at the date of the donation. The Foundation also benefits from the service of volunteers. The fair value of donated services cannot be reasonably determined and are therefore not reflected in these financial statements.

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.

Salaries and related costs

Salaries and related costs presented in the Statement of Revenues and Expenditures - Operating Fund represent the total amount incurred for the year and have not been allocated on a functional basis to the various charitable activities, programs and administration of the Foundation.

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2018

4. 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, 2018.

(a) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Foundation is exposed to this risk mainly in respect of its receipt of funds from donors, revenues from investments, and operational expenditures.

(b) Market risk

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

(c) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Foundation manages exposure through its normal operating and financing activities. The Foundation is exposed to interest rate risk primarily through its investments.

(d) Currency risk

Currency risk is the risk to the Foundation'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 cash and investments held in U.S. dollars. The company does not use derivative instruments to reduce its exposure to foreign currency risk.

(e) 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), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Foundation is exposed to other price risk through its investment in quoted shares.

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Notes to Financial Statements

Year Ended December 31, 2018

5. EXTERNALLY RESTRICTED FUNDS - NET ASSETS BY FUND

	2017	Inflow	Outflow	2018
Anthony Insurance Incorporated Fund	\$ 66,977	\$ 524	\$ 1,786	\$ 65,715
Andrea Powell Memorial Scholarship Fund	7,830	61	209	7,682
Boyce Taylor Memorial Fund	10,961	388	310	11,039
Burnham and Mary Gill Fund	125,892	984	3,357	123,519
CIBC Fund	32,254	244	1,841	30,657
Colonel W.D. Mahoney Benevolent Fund	61,460	10,548	3,352	68,656
Cy Mills Fund	10,318	73	1,256	9,135
D.A. Matthews Scholarship Fund	13,522	106	361	13,267
David Stone Memorial Fund.	12,461	96	578	11,979
Dr. Anna Templeton Award Fund	15,511	222	416	15,317
Dr. Harry Roberts Fund	19,141	150	510	18,781
Dr. Peter Roberts Memorial Fund	31,772	248	847	31,173
Duke of Edinburgh's International Award Fund	13,682	107	365	13,424
FIG Fund	119,747	50,291	11,583	158,455
Folk of the Sea Fund	26,932	211	718	26,425
Gerry Porter Award Fund	16,110	1,126	1,430	15,806
Gillian Guy Memorial Fund	4,686	37	125	4,598
Guy Perry Fund	-	5,463	594	4,869
Hon. John W. Mahoney Scholarship Fund	13,133	103	350	12,886
Joseph & Emma Taylor Memorial Scholarship Fund	14,396	113	384	14,125
Jamieson Family Memorial Fund	1,458	1,775	76	3,157
Legacy Nature Trust Fund	17,806	139	475	17,470
Life Insurance Policies	114,371	2,415	-	116,786
Maple Leaf Fund	297,865	2,318	9,465	290,718
Michelle Jackson Emerging Filmmaker Fund	21,161	165	564	20,762
National Theatre School of Canada (NTS) TEC Fund	204,823	1,552	11,628	194,747
NL Drama Festival Society Fund	22,664	177	604	22,237
Perlin Family Trust	12,502	98	333	12,267
Smiling Land Endowment Fund	52,230	409	1,393	51,246
St. John's Farmers' Market Fund	4,938	39	132	4,845
Resource Centre for the Arts - LSPU	-	33,237	632	32,605
Rick Leggo Scholarship Fund	-	10,171	1,178	8,993
Ross Leslie Memorial Award	-	5,511	319	5,192
Thurles Fund	7,789	45	2,169	5,665
Vital Signs Fund	(6,816)	15,837	9,508	(487)
Walter Chambers Scholarship Fund	13,354	104	356	13,102
WFF Silver Fund	31,303	3,186	891	33,598
Youden Family Fund	30,591	239	816	30,014
	<u>\$ 1,442,824</u>	<u>\$ 148,512</u>	<u>\$ 70,911</u>	<u>\$ 1,520,425</u>

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Revenues and Expenditures - Smart and Caring Community Fund
(Schedule 1)

Year Ended December 31, 2018

	2018	2017
REVENUES		
Unrealized (loss) gain on foreign exchange	\$ 6,406	\$ (3,452)
Investments income	4,132	5,218
Realized gain on investments	1,262	1,894
Donations	-	158,297
Unrealized (loss) gain on investments	<u>(10,392)</u>	<u>9,517</u>
	<u>1,408</u>	<u>171,474</u>
EXPENDITURES		
Grants	17,200	160,045
Administration fees	2,825	3,064
Investment management fees	<u>2,106</u>	<u>2,446</u>
	<u>22,131</u>	<u>165,555</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (20,723)</u>	<u>\$ 5,919</u>

The notes are an integral part of these financial statements

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Revenues and Expenditures - Externally Restricted Funds
(Schedule 2)

Year Ended December 31, 2018

	2018	2017
REVENUES		
Donations	\$ 134,908	\$ 164,682
Unrealized (loss) gain on foreign exchange	54,511	(21,736)
Investment income	34,364	32,858
Realized gain on investments	10,737	11,924
Increase in CSV of life insurance	2,415	8,593
Unrealized (loss) gain on investments	<u>(88,423)</u>	<u>59,927</u>
	<u>148,512</u>	<u>256,248</u>
EXPENDITURES		
Administration fees	20,755	19,242
Grants	17,636	81,425
Investment management fees	16,734	15,404
Advertising	15,548	-
Program expenses	238	750
Fundraising	<u>-</u>	<u>678</u>
	<u>70,911</u>	<u>117,499</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 77,601</u>	<u>\$ 138,749</u>

The notes are an integral part of these financial statements

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Statement of Revenues and Expenditures - Operating Fund (Schedule 3)

Year Ended December 31, 2018

	2018	2017
REVENUES		
Administration fees	\$ 23,580	\$ 22,306
Restricted donations	9,472	8,488
	<u>33,052</u>	<u>30,794</u>
EXPENDITURES		
Salaries and wages	27,398	37,536
Professional fees	16,257	14,118
Office	2,275	1,459
Insurance	1,306	1,701
Memberships	450	450
Interest and bank charges	435	656
Advertising and promotion	-	724
Training	-	15
Meetings and conventions	-	2,482
	<u>48,121</u>	<u>59,141</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (15,069)</u>	<u>\$ (28,347)</u>

The notes are an integral part of these financial statements