

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Financial Statements
Year Ended December 31, 2019

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
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Year Ended December 31, 2019

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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, 2019, 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, 2019, and the results of its operations and cash flow for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the Foundation derives revenue from donation and 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 donation and fundraising revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2019, current assets and net assets as at December 31, 2019. My audit opinion on the financial statements for the year ended December 31, 2018 was modified accordingly because of the possible effects of this limitation of scope.

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 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 these 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 ASNPO, 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 related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Foundation or to cease operations, or has no realistic alternative but to do so.

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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
November 26, 2020


CHARTERED PROFESSIONAL ACCOUNTANT

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Financial Position
December 31, 2019

	2019	2018
ASSETS		
CURRENT		
Cash	\$ 78,431	\$ 98,498
Harmonized sales taxes recoverable	3,459	3,817
Accounts receivable	221	12,120
Prepaid expenses	898	425
	83,009	114,860
MARKETABLE SECURITIES	1,609,668	1,398,822
CASH SURRENDER VALUE OF LIFE INSURANCE	131,055	116,787
	\$ 1,823,732	\$ 1,630,469
 LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable	\$ 34,053	\$ 14,488
 NET ASSETS		
Smart and Caring Community Fund	173,142	176,564
Externally Restricted Funds <i>(Note 5)</i>	1,705,484	1,520,425
Operating Fund	(88,947)	(81,008)
	1,789,679	1,615,981
	\$ 1,823,732	\$ 1,630,469

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

The notes are an integral part of these financial statements

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR
Statement of Revenues and Expenditures
Year Ended December 31, 2019

	2019	2018
REVENUES		
Statement of Revenues and Expenditures - Smart and Caring Community Fund (<i>Schedule 1</i>)	\$ 20,482	\$ 1,408
Statement of Revenues and Expenditures - Externally Restricted Funds (<i>Schedule 2</i>)	278,248	148,512
Statement of Revenues and Expenditures - Operating Fund (<i>Schedule 3</i>)	<u>43,607</u>	<u>33,052</u>
	<u>342,337</u>	<u>182,972</u>
EXPENDITURES		
Statement of Revenues and Expenditures - Smart and Caring Community Fund (<i>Schedule 1</i>)	23,904	22,131
Statement of Revenues and Expenditures - Externally Restricted Funds (<i>Schedule 2</i>)	93,189	70,911
Statement of Revenues and Expenditures - Operating Fund (<i>Schedule 3</i>)	<u>51,546</u>	<u>48,121</u>
	<u>168,639</u>	<u>141,163</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 173,698</u>	<u>\$ 41,809</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, 2019

	Smart and Caring Community Fund (Schedule 1)	Externally Restricted Funds (Schedule 2)	Operating Fund (Schedule 3)	2019	2018
NET ASSETS - BEGINNING OF YEAR	\$ 176,564	\$ 1,520,425	\$ (81,008)	\$ 1,615,981	\$ 1,574,172
Excess (deficiency) of revenues over expenditures	(3,422)	185,059	(7,939)	173,698	41,809
NET ASSETS - END OF YEAR	\$ 173,142	\$ 1,705,484	\$ (88,947)	\$ 1,789,679	\$ 1,615,981

THE COMMUNITY FOUNDATION OF NEWFOUNDLAND AND LABRADOR

Statement of Cash Flow

Year Ended December 31, 2019

	2019	2018
OPERATING ACTIVITIES		
Excess of revenues over expenditures	\$ 173,698	\$ 41,809
Changes in non-cash working capital:		
Harmonized sales taxes recoverable	358	(1,331)
Accounts receivable	11,899	(12,120)
Accounts payable	19,565	(13,809)
Prepaid expenses	(473)	(425)
Employee deductions payable	-	(1,873)
	<u>31,349</u>	<u>(29,558)</u>
Cash flow from operating activities	<u>205,047</u>	<u>12,251</u>
INVESTING ACTIVITIES		
Change in marketable securities	(210,846)	(71,256)
Change in cash surrender value of life insurance	(14,268)	(2,416)
Cash flow used by investing activities	<u>(225,114)</u>	<u>(73,672)</u>
DECREASE IN CASH FLOW	(20,067)	(61,421)
Cash - beginning of year	<u>98,498</u>	<u>159,919</u>
CASH - END OF YEAR	\$ 78,431	\$ 98,498

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, 2019

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, 2019

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, 2019

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, 2019.

(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 Foundation 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, 2019

5. EXTERNALLY RESTRICTED FUNDS - NET ASSETS BY FUND

	2018	Inflow	Outflow	2019
Anthony Insurance Incorporated Fund	\$ 65,715	\$ 8,016	\$ (2,585)	\$ 71,146
Andrea Powell Memorial Scholarship Fund	7,682	937	(302)	8,317
Boyce Taylor Memorial Fund	11,039	1,310	(1,022)	11,327
Burnham and Mary Gill Fund	123,519	15,067	(4,858)	133,728
CIBC Fund	30,657	7,417	(5,828)	32,246
Colonel W.D. Mahoney Benevolent Fund	68,656	28,977	(6,026)	91,607
Cy Mills Fund	9,135	1,053	(1,340)	8,848
D.A. Matthews Scholarship Fund	13,267	1,618	(522)	14,363
David Stone Memorial Fund.	11,979	1,658	(720)	12,917
Dr. Anna Templeton Award Fund	15,317	1,826	(1,289)	15,854
Dr. Harry Roberts Fund	18,781	2,291	(739)	20,333
Dr. Peter Roberts Memorial Fund	31,173	3,803	(1,226)	33,750
Duke of Edinburgh's International Award Fund	13,424	1,638	(528)	14,534
FIG Fund	158,455	56,064	(15,534)	198,985
Folk of the Sea Fund	26,425	3,223	(1,039)	28,609
Gerry Porter Award Fund	15,806	2,061	(624)	17,243
Gillian Guy Memorial Fund	4,598	561	(181)	4,978
Guy Perry Fund	4,869	1,227	(694)	5,402
Hon. John W. Mahoney Scholarship Fund	12,886	1,572	(507)	13,951
Joseph & Emma Taylor Memorial Scholarship Fund	14,125	2,662	(2,536)	14,251
Jamieson Family Memorial Fund	3,157	3,197	(176)	6,178
Legacy Nature Trust Fund	17,470	2,131	(687)	18,914
Life Insurance Policies	116,786	14,269	-	131,055
Maple Leaf Fund	290,718	35,183	(15,907)	309,994
Michelle Jackson Emerging Filmmaker Fund	20,762	2,533	(817)	22,478
National Theatre School of Canada (NTS) TEC Fund	194,747	23,756	(7,659)	210,844
NL Drama Festival Society Fund	22,237	2,713	(875)	24,075
Perlin Family Trust	12,267	1,496	(482)	13,281
St. John's Farmers' Market Fund	4,845	591	(191)	5,245
Resource Centre for the Arts - LSPU	83,851	10,168	(4,262)	89,757
RBC Grant Project	-	8,326	(2,758)	5,568
Rick Leggo Scholarship Fund	8,993	1,036	(1,334)	8,695
Ross Leslie Memorial Award	5,192	633	(204)	5,621
Thurles Fund	5,665	569	(2,183)	4,051
Vital Signs Fund	(487)	17,717	(4,508)	12,722
Walter Chambers Scholarship Fund	13,102	1,598	(515)	14,185
WFF Silver Fund	33,598	5,690	(1,351)	37,937
Youden Family Fund	30,014	3,661	(1,180)	32,495
	<u>\$ 1,520,425</u>	<u>\$ 278,248</u>	<u>\$ (93,189)</u>	<u>\$ 1,705,484</u>

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

Year Ended December 31, 2019

	2019	2018
REVENUES		
Unrealized gain (loss) on investments	\$ 15,143	\$ (10,392)
Investments income	4,891	4,132
Realized gain on investments	535	1,262
Unrealized (loss) gain on foreign exchange	(87)	6,406
	20,482	1,408
EXPENDITURES		
Grants	17,300	17,200
Administration fees	4,427	2,825
Investment management fees	2,177	2,106
	23,904	22,131
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (3,422)	\$ (20,723)

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, 2019

	2019	2018
REVENUES		
Unrealized (loss) gain on investments	\$ 128,956	\$ (88,423)
Donations	88,528	134,908
Investment income	41,652	34,364
Increase in CSV of life insurance	14,269	2,415
Realized gain on investments	4,555	10,737
Fundraising income	1,025	-
Unrealized (loss) gain on foreign exchange	(737)	54,511
	<u>278,248</u>	<u>148,512</u>
EXPENDITURES		
Administration fees	37,697	20,755
Grants	26,236	17,636
Investment management fees	18,542	16,734
Advertising	7,648	15,548
Program expenses	2,666	238
Fundraising	400	-
	<u>93,189</u>	<u>70,911</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 185,059</u>	<u>\$ 77,601</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, 2019

	2019	2018
REVENUES		
Administration fees	\$ 42,124	\$ 23,580
Restricted donations	1,483	9,472
	<u>43,607</u>	<u>33,052</u>
EXPENDITURES		
Salaries and wages	30,831	27,398
Professional fees	15,013	16,257
Office	2,828	2,275
Insurance	1,776	1,306
Memberships	458	450
Interest and bank charges	340	435
Training	300	-
	<u>51,546</u>	<u>48,121</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (7,939)</u>	<u>\$ (15,069)</u>

The notes are an integral part of these financial statements