



SASKATOON
COMMUNITY
FOUNDATION

Financial Statements

December 31, 2016



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INDEPENDENT AUDITORS REPORT

To the Directors of Saskatoon Community Foundation

We have audited the accompanying financial statements of Saskatoon Community Foundation, which comprise the statement of financial position as at December 31, 2016, the statements of operations and changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

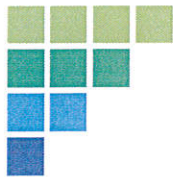
In our opinion, the financial statements present fairly, in all material respects, the financial position of Saskatoon Community Foundation as at December 31, 2016, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not- for-profit organizations.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that extends to the right.

Chartered Professional Accountants

April 4, 2017
Saskatoon, Canada



SASKATOON COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2016

	2016	2015
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	\$ 8,741,873	\$ 6,084,651
Accounts receivable	10,779	15,025
Prepaid expenses	20,943	12,721
	<u>8,773,595</u>	<u>6,112,397</u>
Long Term Assets:		
Investments, at fair value (Note 4), (Note 6)	52,909,029	56,827,297
Cash surrender value of life insurance (Note 5)	181,324	204,919
	<u>\$ 61,863,948</u>	<u>\$ 63,144,613</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 152,480	\$ 176,858
Deferred revenue	230,000	345,000
Managed funds (Note 6)	19,641,018	18,853,836
	<u>20,023,498</u>	<u>19,375,694</u>
Net Assets:		
Flow through funds	3,761,527	6,294,667
Operations fund	507,485	417,644
Endowment:		
Cumulative contributions	32,757,635	31,765,085
Cumulative excess of Revenues over Expenditures	4,813,803	5,291,523
	<u>41,840,450</u>	<u>43,768,919</u>
Commitments (Note 8)		
	<u>\$ 61,863,948</u>	<u>\$ 63,144,613</u>

Approved by the Board of Directors

Director

Director

The accompanying notes are an integral part of the financial statements



SASKATOON COMMUNITY FOUNDATION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
For the year ended *December 31, 2016*

	2016					2015				
	ENDOWMENT					ENDOWMENT				
	Cumulative Contributions	Cumulative Excess of Revenues over Expenditures	Flow Through Fund	Operations Funds	Total	Cumulative Contributions	Cumulative Excess of Revenues over Expenditures	Flow Through Fund	Operations Funds	Total
Revenues and Donations:										
Donations endowed including bequests	\$ 976,139	\$ -	\$ -	\$ -	\$ 976,139	\$ 550,380	\$ -	\$ -	\$ -	\$ 550,380
Donations received and directed to other charities and student awards	-	-	1,305,238	-	1,305,238	-	-	3,740,674	-	3,740,674
Donations specified for administration and capacity building	-	-	-	532	532	-	-	-	1,543	1,543
Donations received for life insurance premiums	-	-	-	19,910	19,910	-	-	-	30,211	30,211
Investment income (Note 7)	-	1,274,771	48,300	-	1,323,071	-	623,082	89,463	-	712,545
Fees earned from management services (Note 6)	-	-	-	118,251	118,251	-	-	-	122,136	122,136
Fees earned from granting services	-	-	-	5,000	5,000	-	-	-	5,000	5,000
Sponsorship of annual report and other	-	-	-	-	-	-	-	-	2,250	2,250
	976,139	1,274,771	1,353,538	143,693	3,748,141	550,380	623,082	3,830,137	161,140	5,164,739
Grants and Expenditures:										
Grants from the Endowment and from Funds directed to other charities and student awards	-	(1,232,321)	(3,962,993)	23,299	(5,172,015)	-	(1,156,310)	(4,091,762)	22,876	(5,225,196)
Administration charges to endowed & other funds	-	(477,367)	(56,771)	534,138	-	-	(496,808)	(100,252)	597,060	-
Operating expenses	-	-	-	(734,981)	(734,981)	-	-	-	(835,281)	(835,281)
Life insurance premiums paid	-	-	-	(29,435)	(29,435)	-	-	-	(39,459)	(39,459)
Increase (decrease) in cash surrender value of life insurance policies owned (Note 5)	(23,595)	-	-	-	(23,595)	1,867	-	-	-	1,867
	(23,595)	(1,709,688)	(4,019,764)	(206,979)	(5,960,026)	1,867	(1,653,118)	(4,192,014)	(254,804)	(6,098,069)
Fundraising:										
Revenues	-	-	-	447,273	447,273	-	-	-	510,205	510,205
Expenditures	-	-	-	(163,857)	(163,857)	-	-	-	(177,023)	(177,023)
	-	-	-	283,416	283,416	-	-	-	333,182	333,182
EXCESS (DEFICIENCY) of REVENUES and DONATIONS over GRANTS and EXPENDITURES	952,544	(434,917)	(2,666,226)	220,130	(1,928,469)	552,247	(1,030,036)	(361,877)	239,518	(600,148)
Fund Transfers	40,006	(42,803)	133,086	(130,289)	-	24,275	-	150,716	(174,991)	-
Balance, beginning of year	31,765,085	5,291,523	6,294,667	417,644	43,768,919	31,188,563	6,321,559	6,505,828	353,117	44,369,067
Balance, end of year	\$ 32,757,635	\$ 4,813,803	\$ 3,761,527	\$ 507,485	\$ 41,840,450	\$ 31,765,085	\$ 5,291,523	\$ 6,294,667	\$ 417,644	\$ 43,768,919

The accompanying notes are an integral part of the financial statements



SASKATOON COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2016

2016 2015

Cash and Cash Equivalents *provided by (used in):*

Operating activities:

Deficiency of revenues over expenditures	\$ (1,928,469)	\$ (600,148)
Items not involving cash:		
Changes in fair value of investments (Note 7)	975,792	3,077,787
Reinvestment of distributed investment income (Note 7)	(3,180,977)	(4,419,770)
Fees to investment managers outstanding	-	62,068
Investment Income allocated to Managed Funds (Note 7)	633,947	402,670
	(3,499,707)	(1,477,393)
(Increase) decrease in cash surrender value of life insurance policies	23,595	(1,867)
	(3,476,112)	(1,479,260)

Changes in non-cash working capital:

Accounts receivable	4,246	(4,017)
Prepaid expenses	(8,222)	(924)
Accounts payable and accrued liabilities	(24,378)	(15,863)
Deferred revenue	(115,000)	245,000
	(3,619,466)	(1,255,064)

Purchase of investments (Note 4)	(27,624,462)	(6,049,464)
Proceeds from sale of investments (Note 4)	33,747,915	6,678,864

Fund Management activities:

Contributions to Managed Fund accounts	616,143	883,415
Withdrawals from Managed Fund accounts	(344,707)	(1,945,066)
Administrative fees charged on Managed Funds	(118,201)	(122,136)

Net increase (decrease) in Cash and Cash Equivalents 2,657,222 (1,809,451)

Cash and Cash Equivalents, beginning of year 6,084,651 7,894,102

Cash and Cash Equivalents, end of year (Note 3) **\$ 8,741,873 \$ 6,084,651**



SASKATOON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

1. Purpose of the Foundation

The Foundation was established as the Saskatoon Foundation by an Act of the Saskatchewan Legislature in 1970 to benefit the citizens of Saskatoon by supporting registered charitable organizations which contribute to the quality of life in Saskatoon. The legislation was updated in 1994. In 2005, by an act of the Legislature, the name was changed to the Saskatoon Community Foundation.

The Foundation is a registered charity and is classified as a public foundation for the purposes of the Income Tax Act (Canada).

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations, and include the following significant accounting policies:

Fund Accounting and Revenue Recognition

The Foundation follows the Restricted Fund method of accounting for both restricted and unrestricted contributions. Contributions, both restricted and unrestricted, are recognized as revenue in the year received or receivable when the amount is known or can be reasonably estimated and collectability is reasonably assured. Contributions received relating to fundraising events are recognized as income on completion of the fundraising event. The Foundation ensures, as part of its fiduciary responsibilities, all contributions received with a restricted purpose are expended for that purpose and, any contributions received without a specific purpose identified, are added to the Cumulative Contributions portion of the Endowment. For financial reporting purposes the accounts have been classified into the following funds:

Endowment

The *Cumulative Contributions* portion of the endowment reports resources that are required to be maintained by the Foundation on a permanent basis. The Act under which the Foundation was created allows, with the approval of the Board of Directors, up to 5% of the contributed capital of the property of the Foundation to be withdrawn and disbursed for any purpose consistent with the purposes or objects of or within the scope of the Foundation.

The *Cumulative excess of Revenues over Expenditures Fund* reports the income earned (loss incurred) on the entire endowment, in excess of grants made and administrations fees charged to the endowment.

Income from the investment of endowed funds is disbursed in accordance with the Foundation's policy for long-term preservation of capital and in accordance with Canada Revenue Agency regulations. In 2016 the percentage of the funds distributed as grants was 3.5% (2015 – 3.5%).

A number of funds specified for administration are included in the endowment. These funds are part of the funds earning restricted income. An annual allocation of a portion of the earnings on these funds is used to fund administrative costs associated with operating the Foundation. In 2016 the percentage of the fund balances used for this allocation was 3.5% (2015 – 3.5%).

Flow Through Funds

Flow Through Funds represent resources available for granting by the Foundation where, at the time the donation is accepted by the Foundation, the specific purpose or recipient qualified donee may or may not have been determined by the donor with certainty. The disbursement of these funds is directed by the donor, and must be made to a qualified donee as defined in the Income Tax Act (Canada). Fees charged to the Flow Through Funds are used to support the administration and operating activities of the Foundation.



SASKATOON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

Operations Fund

The Operations Fund reports resources available for the Foundation's general operating and administration. Each quarter, endowed funds are charged a fee to be used for administration. In 2016 the percentage charged for this administration fee was 1.5% (2015 – 1.5%) of the fund balance. The Board of Directors, from time to time, may allocate a portion of net proceeds from fundraising events and special events of the Operations Fund, to the Endowment.

Cash Surrender Value of Donated Life Insurance Policies

Life insurance policies are recorded at Cash Surrender Value.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and guaranteed investment certificates. Cash and cash equivalents exclude cash held in investments.

Financial Instruments

The Foundation recognizes and measures its financial instruments as follows:

Cash, accounts receivable, investments at fair value, cash surrender value of life insurance, accounts payable and managed funds are initially recorded at their fair value;

Cash, accounts receivable, cash surrender value of life insurance, and accounts payable are subsequently measured at amortized cost; and,

Investments at fair value and managed funds are subsequently measured at fair value.

Changes in the fair value of financial instruments are presented in the Statement of Operations and Changes in Net Assets as part of investment income. Financial assets are tested for impairment at the end of each reporting period when there are indications that an asset may be impaired.

3. Cash and Cash Equivalents

	<u>2016</u>	<u>2015</u>
	\$	\$
Operating Account	7,563,121	533,525
Savings Account	1,178,752	3,625,732
Guaranteed Investment Certificates	-	1,925,394
Cash and Cash Equivalents, end of year	<u>8,741,873</u>	<u>6,084,651</u>

The balance of Cash and Cash Equivalents at the end of the year includes \$1,178,752 (2015 - \$3,625,732) representing the investment of Flow Through Funds held by the Foundation. Donations received for Flow Through are subject to uncertainty with respect to the timing of the direction of their distribution to charities or other qualified donees. The majority of these Flow Through funds are invested in savings and Guaranteed Investment Certificates so that the funds are liquid and easily accessed.

During the year the Foundation received notice that a significant Managed Fund holder wanted to manage their own funds. Funds were transferred from Greystone Managed Investments to the Foundation's Operating account and the Fund withdrawal was settled in January, 2017. (See Note 6).



SASKATOON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4. Investments

The Foundation's objective for investments under its management is to generate a total return that achieves the granting objectives of the Foundation as set each year by the Board, recovers the cost of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines. Approximately 93% of the endowed assets held by the Saskatoon Community Foundation, and all of the Managed Funds assets are professionally managed by Greystone Managed Investments. These investments are managed under a Statement of Investment Principles (SIP) approved by the Board and monitored on a quarterly basis by the Investment Committee.

The SIP was amended in 2016. A significant number of sales and purchases of investment classes was transacted in order to rebalance the portfolio to align with the amended SIP.

	<u>2016</u>	<u>2015</u>
	\$	\$
Cash and cash equivalents	898,413	2,475,575
Bonds and debentures	14,296,854	22,304,448
Equities		
Canadian	5,383,807	19,176,146
United States	10,550,516	5,135,044
International	10,505,145	5,227,311
Real Estate LP	2,558,397	-
Mortgages	6,028,567	-
Pooled Investments, end of year	<u>50,221,699</u>	<u>54,318,524</u>

Some endowed funds are held outside of the Pooled Funds. They are governed under separate policies under a specific program based on agreements with the donors.

Non-Pooled Investments, end of year	<u>2,687,330</u>	<u>2,508,773</u>
Total Investments, end of year	<u>52,909,029</u>	<u>56,827,297</u>

5. Life Insurance Policies

The Foundation is the owner of life insurance policies with an insured value of \$2,614,279 (2015 - \$2,924,279). Life insurance premiums paid by donors on policies owned by the Foundation are shown as both donations and operating expenses on the Statement of Operations and Changes in Net Assets. The cash surrender value of the policies decreased in 2016 by \$23,595 (2015 increased by \$1,867). The cash surrender value of the policies at December 31, 2016 is \$181,324 (2015 - \$204,919). During the year, one policy matured.



SASKATOON COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2016

6. Investments and Managed Funds

Investments include funds which are managed by the Foundation for outside agencies. Under agreements, the Foundation allocates investment returns to those managed funds at the average annual rate of return of the Pooled investment portfolio of the Foundation, net of a fee for service

During the year the Foundation received notice that a significant Managed Fund holder wanted to manage their own funds. In January 2017, \$5,802,614 was disbursed to settle the Fund account.

	<u>2016</u>	<u>2015</u>
	\$	\$
Managed Funds, beginning of year	18,853,836	19,634,953
Funds received, in trust	616,143	883,415
Income allocated to Managed Funds	633,947	402,670
Withdrawals	(344,707)	(1,945,066)
Administration fees charged	(118,201)	(122,136)
Managed Funds, end of year	<u>19,641,018</u>	<u>18,853,836</u>

7. Investment Income

	<u>2016</u>	<u>2015</u>
	\$	\$
Changes in fair value of investments	(975,792)	(3,077,787)
Interest income	19,652	35,697
Reinvestment of distributed income	3,180,977	4,419,770
Oil lease revenue	-	796
	<u>2,224,837</u>	<u>1,378,476</u>
Less: Fees paid to investment managers	(267,819)	(263,261)
	1,957,018	1,115,215
Less: Income allocated to Managed Funds	(633,947)	(402,670)
Investment income	<u>1,323,071</u>	<u>712,545</u>

8. Commitments

Lease Commitments

The Foundation leases premises under a six-year and four-month lease expiring November 30, 2020. The fixed minimum annual lease payments in each of the next four years are as follows:

2017	\$ 46,078
2018	\$ 48,850
2019	\$ 48,850
2020	\$ 44,780

Commitment to Grant

The Board of Directors of the Foundation has approved the distribution of 3.5% of the endowment as grants for the fiscal year 2017. This percentage of funds distributed as grants is consistent with prior years and meets CRA requirements. For the 2018 fiscal year, the Board of Directors will not commit to a grant distribution policy until the May 2017 Board meeting.



SASKATOON COMMUNITY FOUNDATION
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

9. Financial Instruments

The Foundation's financial assets and liabilities consist of cash, accounts receivable, investments at fair value, cash surrender value of life insurance, accounts payable and managed funds.

The Foundation has exposure to other price risk, credit risk, currency risk and interest rate risk on its investments at fair value and managed funds as the fair value or future cash flows may fluctuate because of changes in market prices, exchange rates, currency rates and interest rates, whether these changes are caused by factors specific to the investments or factors affecting all similar financial instruments traded in the market.