

SASKATOON COMMUNITY FOUNDATION

Financial Statements
December 31, 2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Saskatoon Community Foundation

Opinion

We have audited the financial statements of Saskatoon Community Foundation (the Entity), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at end of December 31, 2018, 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.

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 "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other 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 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

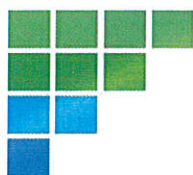


- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Entity 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Saskatoon, Canada
March 26, 2019



SASKATOON COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2018

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents (Note 3)	\$ 4,394,764	\$ 2,964,018
Accounts receivable	12,067	20,960
Prepaid expenses	17,552	27,479
	4,424,383	3,012,457
Long term Assets:		
Investments, at fair value (Note 4)	56,859,990	57,517,428
Cash surrender value of life insurance (Note 5)	150,376	181,312
	\$ 61,434,749	\$ 60,711,197
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued liabilities	\$ 51,091	\$ 46,059
Grants payable	46,398	98,402
Deferred revenue	30,000	115,000
Managed funds (Note 6)	14,653,901	14,723,687
	14,781,390	14,983,148
Net Assets:		
Flow through funds	4,709,632	3,293,002
Operations fund	434,600	467,630
Endowment:		
Cumulative contributions	36,238,582	34,742,570
Cumulative excess of revenues over expenses	5,270,545	7,224,847
	46,653,359	45,728,049
	\$ 61,434,749	\$ 60,711,197

Approved by the Board of Directors

Director

Director



SASKATOON COMMUNITY FOUNDATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS For the year ended December 31, 2018

Revenues:

Donations	\$ 1,415,612	\$ -	\$ 3,602,955	\$ 16,305	\$ 5,034,872
Investment income (loss) (Note 7)	-	(84,803)	16,625	-	(68,178)
Fees - managed funds & professional services	-	-	-	95,177	95,177
Life insurance - premium donations	-	-	-	521	521
Life insurance - death benefit	125,910	-	-	-	125,910
	<u>1,541,522</u>	<u>(84,803)</u>	<u>3,619,580</u>	<u>112,003</u>	<u>5,188,302</u>

Expenses:

Grants	-	(1,324,842)	(2,164,127)	28,003	(3,460,966)
Fees - endowed & flow through	-	(544,657)	(53,397)	591,290	(6,764)
Operating expenses	-	-	-	(869,964)	(869,964)
Life insurance - premiums paid	-	-	-	(7,445)	(7,445)
Life insurance - change in cash surrender value (Note 5)	(30,936)	-	-	-	(30,936)
	<u>(30,936)</u>	<u>(1,869,499)</u>	<u>(2,217,524)</u>	<u>(258,116)</u>	<u>(4,376,075)</u>

Fundraising:

Gross Revenues	-	-	-	291,110	291,110
Expenses	-	-	-	(178,027)	(178,027)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,083</u>	<u>113,083</u>

EXCESS/(DEFICIENCY) of REVENUES over EXPENSES

Fund Transfers (Note 8)

Balance, beginning of period

Balance, end of period

2018					
ENDOWMENT					
	Cumulative Contributions	Cumulative Revenue in excess of Expenses	Flow Through Funds	Operations Fund	Total
	\$ 1,415,612	\$ -	\$ 3,602,955	\$ 16,305	\$ 5,034,872
	-	(84,803)	16,625	-	(68,178)
	-	-	-	95,177	95,177
	-	-	-	521	521
	125,910	-	-	-	125,910
	<u>1,541,522</u>	<u>(84,803)</u>	<u>3,619,580</u>	<u>112,003</u>	<u>5,188,302</u>
	-	(1,324,842)	(2,164,127)	28,003	(3,460,966)
	-	(544,657)	(53,397)	591,290	(6,764)
	-	-	-	(869,964)	(869,964)
	-	-	-	(7,445)	(7,445)
	(30,936)	-	-	-	(30,936)
	<u>(30,936)</u>	<u>(1,869,499)</u>	<u>(2,217,524)</u>	<u>(258,116)</u>	<u>(4,376,075)</u>
	-	-	-	291,110	291,110
	-	-	-	(178,027)	(178,027)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>113,083</u>	<u>113,083</u>
	1,510,586	(1,954,302)	1,402,056	(33,030)	925,310
	(14,574)	-	14,574	-	-
	34,742,570	7,224,847	3,293,002	467,630	45,728,049
	<u>\$ 36,238,582</u>	<u>\$ 5,270,545</u>	<u>\$ 4,709,632</u>	<u>\$ 434,600</u>	<u>\$ 46,653,359</u>

2017					
ENDOWMENT					
	Cumulative Contributions	Cumulative Revenue in excess of Expenses	Flow Through Funds	Operations Fund	Total
	\$ 1,917,947	\$ -	\$ 2,541,081	\$ -	\$ 4,459,028
	-	4,190,146	21,070	-	4,211,216
	-	-	-	87,579	87,579
	-	-	-	521	521
	-	-	-	50,000	50,000
	<u>1,917,947</u>	<u>4,190,146</u>	<u>2,562,151</u>	<u>138,100</u>	<u>8,808,344</u>
	(8,000)	(1,184,721)	(3,126,032)	22,645	(4,296,108)
	-	(510,427)	(43,598)	553,900	(125)
	-	-	-	(888,872)	(888,872)
	-	-	-	(7,445)	(7,445)
	(12)	-	-	-	(12)
	<u>(8,012)</u>	<u>(1,695,148)</u>	<u>(3,169,630)</u>	<u>(319,772)</u>	<u>(5,192,562)</u>
	-	-	-	453,923	453,923
	-	-	-	(182,106)	(182,106)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,817</u>	<u>271,817</u>
	1,909,935	2,494,998	(607,479)	90,145	3,887,599
	75,000	(83,954)	138,954	(130,000)	-
	32,757,635	4,813,803	3,761,527	507,485	41,840,450
	<u>\$ 34,742,570</u>	<u>\$ 7,224,847</u>	<u>\$ 3,293,002</u>	<u>\$ 467,630</u>	<u>\$ 45,728,049</u>



SASKATOON COMMUNITY FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	2018	2017
Cash and Cash Equivalents provided by (used in):		
Operating activities:		
Excess (deficiency) of revenues over expenditures	\$ 925,310	\$ 3,887,599
Items not involving cash:		
Investment Income Reinvested (Note 7)	(4,007,878)	(3,249,022)
Changes in fair value of investments (Note 7)	3,707,390	(2,717,352)
Investment Income allocated to Managed Funds (Note 7)	29,397	1,476,873
	654,219	(601,902)
Decrease in cash surrender value of life insurance policies	30,936	12
	685,155	(601,890)
Changes in non-cash working capital:		
Accounts Receivable	8,893	(10,181)
Prepaid expenses	9,927	(6,536)
Accounts payable and accrued liabilities	5,032	(106,421)
Grants Payable	(52,004)	98,402
Deferred Revenue	(85,000)	(115,000)
	572,003	(741,626)
Purchase of investments (Note 4)	(1,035,307)	(6,155,198)
Proceeds from sale of investments (Note 4)	1,993,233	7,513,172
Fund Management activities:		
Managed Funds - Contributions (Note 6)	311,214	499,178
Managed Funds - Withdrawals (Note 6)	(309,648)	(6,798,490)
Managed Funds - Fees (Note 6)	(100,749)	(94,891)
Net increase (decrease) in Cash and Cash Equivalents	1,430,746	(5,777,855)
Cash and Cash Equivalents, beginning of year	2,964,018	8,741,873
Cash and Cash Equivalents, end of year (Note 3)	\$ 4,394,764	\$ 2,964,018

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 dispersed in accordance with the Foundation's Spending Policy. In 2018 the percentage of the funds distributed as grants was 3.5% (2017 – 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 2018 the percentage of the fund balances used for this allocation was 3.5% (2017 – 3.5%).



SASKATOON COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018 (continued)

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.

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 2018 the percentage charged for this administration fee was 1.5% (2017 – 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 their realizable value less applicable surrender charges.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit and savings account which are highly liquid with original maturities of less than three months at the date of acquisition. Cash and cash equivalents exclude cash held in investments.

Use of estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not for profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Financial Instruments

The Foundation recognizes and measures its financial instruments as follows:

Cash, accounts receivable, cash surrender value of life insurance, accounts payable, grants payable and managed funds are initially recorded at their fair value; and are subsequently measured at amortized cost; and,

Investments and managed funds are initially recorded at fair value and 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.



SASKATOON COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018 (continued)

3. Cash and Cash Equivalents

	2018	2017
	\$	\$
Operating Account	288,439	1,873,735
Savings Account	4,106,325	1,090,283
Cash and Cash Equivalents, end of year	4,394,764	2,964,018

The balance of Cash and Cash Equivalents at the end of the year includes \$4,106,325 (2017 - \$1,090,283) 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 Flow Through funds are invested in savings and money market investments so that the funds are liquid and easily accessible.

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 90% of the endowed assets held by the Saskatoon Community Foundation, and all of Managed Funds assets are professionally managed by TD Greystone Managed Investments. These investments are managed under the Foundation's Statement of Investment Policy approved by the Board and monitored on a quarterly basis by the Investment Committee.

	2018	2017
	\$	\$
Cash and cash equivalents	1,473,447	856,653
Bonds and debentures	10,308,666	12,344,049
Equities		
Canadian	5,096,536	5,401,745
United States	11,094,425	11,593,339
International	10,679,195	12,071,355
Real Estate LP	8,724,128	6,205,847
Mortgages	6,976,945	6,273,647
TD Greystone Pooled Investments, end of year	54,353,342	54,746,635

Some endowed funds are held outside of the TD Greystone Pooled Funds. They are governed under Non-pooled Investment Policy.

Other Investments, end of year	2,506,648	2,770,793
Total Investments, end of year	56,859,990	57,517,428

5. Life Insurance Policies

The Foundation is the owner of life insurance policies with an insured value of \$2,150,397 (2017 - \$2,564,279). 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 2018 by \$30,936 (2017 decreased by \$12). The cash surrender value of the policies at December 31, 2018 is \$150,376 (2017 - \$181,312).



SASKATOON COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2018 (continued)

6. Managed Funds

Investments include funds which are held 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.

	2018	2017
	\$	\$
Managed Funds, beginning of year	14,723,687	19,641,017
Funds received, in trust	311,214	499,178
Income allocated to Managed Funds	29,397	1,476,873
Withdrawals	(309,648)	(6,798,490)
Administration fees charged	(100,749)	(94,891)
Managed Funds, end of year	14,653,901	14,723,687

7. Investment Income

	2018	2017
	\$	\$
Investment Income Reinvested	4,007,878	3,249,022
Changes in fair value of investments	(3,707,390)	2,717,352
Interest income	16,625	11,637
Oil lease revenue	-	15,090
	317,113	5,993,101
Less: Fees paid to investment managers	(355,894)	(305,012)
	(38,781)	5,688,089
Less: Income allocated to Managed Funds	(29,397)	(1,476,873)
Investment income (loss)	(68,178)	4,211,216

8. Fund Transfers

All Fund transfers were approved by the Board of Directors.

9. 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 two years are as follows:

2019	\$48,850
2020	\$44,780

Commitment to Grant

In accordance the Foundation's Spending Policy, the Board of Directors of the Foundation has approved the distribution of 3.5% of the endowment as grants for the fiscal year 2019. This percentage of funds distributed as grants is consistent with prior years and meets CRA requirements. For the 2020 fiscal year, the Board of Directors committed to a grant distribution of 3.5%.

10. 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, grants payable and managed funds.

The Foundation has exposure to credit risk, currency risk, interest rate risk and other price 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.

(a) Credit risk:

The Foundation is exposed to credit risk on amounts invested in interest bearing cash accounts, and investments. Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. Credit risk related to cash and investments is minimized by dealing with financial institutions that have strong credit ratings.

(b) Currency risk:

The Foundation is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. This risk relates to investments held in International and US equity pooled funds. Management and the investment committee continually review and monitor these investments to ensure they meet guidelines stipulated in Statement of Investment Policy.

(c) Interest rate risk:

The Foundation is exposed to interest rate risk arising from fluctuation in interest rates on amounts invested in interest bearing accounts and investments. Cash, when received, is deposited into an interest bearing account. Investments consist of bonds and debentures and mortgages and real estate funds which the Foundation is exposed to changes in interest rates. Management and the investment committee continually review and monitor the investments to ensure they meet guidelines stipulated in Statement of Investment Policy.

(d) Other risk:

The Foundation is exposed to equity price risk as the Foundation investments includes holdings in equity funds. This risk relates to changes in the equity markets. Management and the investment committee continually review and monitor these investments to ensure they meet guidelines stipulated in Statement of Investment Policy.