

**WINDSORESSEX COMMUNITY
FOUNDATION**

**AUDITORS' REPORT AND FINANCIAL
STATEMENTS**

JUNE 30, 2018



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INDEPENDENT AUDITORS' REPORT

To the Directors of WindsorEssex Community Foundation

Report on the Financial Statements

We have audited the accompanying financial statements of WindsorEssex Community Foundation which comprise the statement of financial position as at June 30, 2018 and the statements of revenue and expenses, changes in fund balances and cash flows for the year then ended, and 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 the auditors' 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, the auditors consider internal control relevant to the Foundation'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 Foundation'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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, WindsorEssex Community Foundation derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of donation revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to donation revenues, revenue over (under) expenses, fund balances and cash flows. This issue also resulted in a qualification of the financial statements for the year ended June 30, 2017.

INDEPENDENT AUDITORS' REPORT - continued

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of WindsorEssex Community Foundation as at June 30, 2018, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Collins Barrow Windsor LLP

Chartered Professional Accountants
Licensed Public Accountants

October 29, 2018

WINDSORSEX COMMUNITY FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2018

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WINDSORSEX COMMUNITY FOUNDATION

STATEMENT OF REVENUE AND EXPENSES

YEAR ENDED JUNE 30, 2018

	Community Fund Unrestricted	Endowment Fund	Restricted Fund	2018 Total	2017 Total
REVENUE					
Donations and fund development, net (note 3)	\$ 21,241	\$ 2,926,637	\$ -	\$ 2,947,878	\$ 1,592,608
Investment income	<u>262,327</u>	<u>859,646</u>	<u>121,223</u>	<u>1,243,196</u>	<u>782,733</u>
	<u>283,568</u>	<u>3,786,283</u>	<u>121,223</u>	<u>4,191,074</u>	<u>2,375,341</u>
OPERATING EXPENSES					
Advertising and promotion	24,807	-	-	24,807	24,381
Amortization	3,200	-	-	3,200	2,996
Automotive and travel	2,331	-	-	2,331	2,194
Bank charges	1,886	-	-	1,886	2,801
Education and training	1,952	-	-	1,952	8,259
Insurance premiums	6,340	-	-	6,340	6,272
Investment and management fees	-	64,203	7,611	71,814	65,540
Licenses, memberships and dues	2,838	-	-	2,838	5,254
Office supplies and miscellaneous	11,083	-	-	11,083	15,678
Other: Board and committee work	4,063	-	-	4,063	5,812
Professional fees	19,762	-	-	19,762	18,364
Rent	38,406	-	-	38,406	37,493
Wages and employee benefits	<u>183,621</u>	<u>-</u>	<u>-</u>	<u>183,621</u>	<u>187,965</u>
	<u>300,289</u>	<u>64,203</u>	<u>7,611</u>	<u>372,103</u>	<u>383,009</u>
OTHER EXPENSES					
Administrative fees (recovery)	<u>(97,050)</u>	<u>74,903</u>	<u>12,648</u>	<u>(9,499)</u>	<u>(9,065)</u>
NET REVENUE BEFORE GRANTS AND BURSARIES					
	<u>80,329</u>	<u>3,647,177</u>	<u>100,964</u>	<u>3,828,470</u>	<u>2,001,397</u>
GRANTS AND BURSARIES					
	<u>140,120</u>	<u>374,817</u>	<u>5,000</u>	<u>519,937</u>	<u>520,049</u>
REVENUE OVER (UNDER) EXPENSES					
	<u>\$ (59,791)</u>	<u>\$ 3,272,360</u>	<u>\$ 95,964</u>	<u>\$ 3,308,533</u>	<u>\$ 1,481,348</u>

See Accompanying Notes

WINDSORSEX COMMUNITY FOUNDATION

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30, 2018

	Community Fund Unrestricted	Endowment Fund	Restricted Fund	2018 Total	2017 Total
FUND BALANCES, BEGINNING	\$ 985,806	\$ 9,645,236	\$ 1,233,947	\$11,864,989	\$10,383,641
REVENUE OVER (UNDER) EXPENSES	<u>(59,791)</u>	<u>3,272,360</u>	<u>95,964</u>	<u>3,308,533</u>	<u>1,481,348</u>
FUND BALANCES, ENDING	<u>\$ 926,015</u>	<u>\$12,917,596</u>	<u>\$ 1,329,911</u>	<u>\$15,173,522</u>	<u>\$11,864,989</u>

See Accompanying Notes

WINDSORRESSEX COMMUNITY FOUNDATION

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

	Community Fund Unrestricted	Endowment Fund	Restricted Fund	2018 Total	2017 Total
ASSETS					
CURRENT ASSETS					
Cash	\$ 58,720	\$ -	\$ -	\$ 58,720	\$ 76,537
Accounts receivable and other assets	<u>24,697</u>	<u>-</u>	<u>-</u>	<u>24,697</u>	<u>19,672</u>
	83,417	-	-	83,417	96,209
INVESTMENTS (note 4)	1,981,068	12,917,596	1,329,911	16,228,575	15,380,945
PROPERTY, PLANT AND EQUIPMENT (note 5)	<u>12,364</u>	<u>-</u>	<u>-</u>	<u>12,364</u>	<u>12,764</u>
	<u>\$ 2,076,849</u>	<u>\$12,917,596</u>	<u>\$ 1,329,911</u>	<u>\$16,324,356</u>	<u>\$15,489,918</u>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	\$ 11,993	\$ -	\$ -	\$ 11,993	\$ 19,534
Managed funds (note 6)	<u>1,138,841</u>	<u>-</u>	<u>-</u>	<u>1,138,841</u>	<u>3,605,395</u>
	<u>1,150,834</u>	<u>-</u>	<u>-</u>	<u>1,150,834</u>	<u>3,624,929</u>
FUND BALANCES	<u>926,015</u>	<u>12,917,596</u>	<u>1,329,911</u>	<u>15,173,522</u>	<u>11,864,989</u>
	<u>\$ 2,076,849</u>	<u>\$12,917,596</u>	<u>\$ 1,329,911</u>	<u>\$16,324,356</u>	<u>\$15,489,918</u>

COMMITMENTS (note 8)

ON BEHALF OF THE BOARD



Director



Director

See Accompanying Notes

WINDSORRESSEX COMMUNITY FOUNDATION**STATEMENT OF CASH FLOWS****YEAR ENDED JUNE 30, 2018**

	2018	2017
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CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from donors and investments	\$ 4,200,573	\$ 2,384,406
Cash paid to suppliers and employees	<u>(901,406)</u>	<u>(897,154)</u>
	<u>3,299,167</u>	<u>1,487,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(2,800)	(4,291)
Increase in investments, net of changes in managed funds	<u>(3,314,184)</u>	<u>(1,513,504)</u>
	<u>(3,316,984)</u>	<u>(1,517,795)</u>
DECREASE IN CASH POSITION	(17,817)	(30,543)
CASH POSITION, BEGINNING	<u>76,537</u>	<u>107,080</u>
CASH POSITION, ENDING	<u>\$ 58,720</u>	<u>\$ 76,537</u>

See Accompanying Notes

WINDSORESSEX COMMUNITY FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018**

1. NATURE OF ACTIVITIES

WindsorEssex Community Foundation (the "Foundation") was incorporated by Special Act Chapter Pr 36, S.O. on December 16, 1983 as a corporation without share capital. The Foundation is a perpetual community trust for philanthropic purposes. It exists to manage donors' legacy funds and make grants to support local community programs. Through grant making activities, the Foundation is able to establish partnerships to assist a broad range of community organizations. The Foundation operates as a charitable organization and is exempt from income tax under paragraph 149(1)(f) of the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

FUND ACCOUNTING

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of "fund accounting". Under these principles, resources are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Community Fund

The Community Fund accounts for the Foundation's administrative and operational revenues and expenses. Net expenditures of the Community Fund are financed primarily by donor contributions directed to general operations and from investment income earned. The distribution of income for granting purposes is determined by the Board of Directors each year.

Endowment Fund

The Endowment Fund represents funds donated to the Foundation to which the contributor restricts any future distribution of the capital, but allows discretion on the distribution of income. Net investment income allocated to these funds is determined on a pro rata basis from the return on the commingled investments.

Restricted Fund

The Restricted Fund represents funds donated to the Foundation or segregated by Board resolution for specific purposes. The capital can be distributed in accordance with the specific purpose. Net investment income allocated to these funds is determined on a pro rata basis from the return on the commingled investments.

WINDSORSEX COMMUNITY FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018****2. SIGNIFICANT ACCOUNTING POLICIES - continued****PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment are recorded at cost, less accumulated amortization. Amortization is calculated on a declining balance basis at the following annual rates:

Computer equipment	30%
Furniture and fixtures	20%

REVENUE RECOGNITION

The Foundation follows the restricted method of accounting for donations and contributions.

Restricted donations and contributions are recognized as revenue in the corresponding restricted fund when received.

Restricted donations, contributions or government grants for which no corresponding restricted fund is presented are deferred and recognized as revenue over the same period as the related expenses.

Unrestricted contributions are recognized as revenue of the Community Fund in the period they are received.

Dividend and interest income are recognized in the corresponding fund when received and are included in investment income.

Funds pledged to the Foundation are not recorded until they are received.

CONTRIBUTED SERVICES

A number of people contribute significant time and expertise to the Foundation. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

USE OF ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Plant and equipment require the use of management estimates. Actual results could differ from these estimates.

WINDSORESSEX COMMUNITY FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018**

2. SIGNIFICANT ACCOUNTING POLICIES - continued

FINANCIAL INSTRUMENTS**Measurement of financial instruments**

Financial instruments are financial assets or liabilities of the Foundation where, in general, the Foundation has the right to receive cash or another financial asset from another party or the Foundation has the obligation to pay another party cash or other financial assets.

The Foundation initially measures its financial assets and liabilities at fair value.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in net income.

Financial assets measured at amortized cost include cash and accounts receivable and other assets.

Financial assets measured at fair value include investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

Financial liabilities measured at fair value include managed funds.

Impairment

Financial assets measured at cost or amortized cost are tested for impairment when there are indicators of possible impairment. When a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset or group of assets, a write down is recognized in net income. The write down reflects the difference between the carrying amount and the higher of:

- The present value of the cash flows expected to be generated by the asset or group of assets;
- The amount that could be realized by selling the asset or asset group; or
- The net realizable value of any collateral held to secure repayment of the asset or group of assets.

When events occurring after the impairment confirm that a reversal is necessary, the reversal is recognized up to the amount of the previously recognized impairment.

Transaction costs

Transaction costs and financing fees are expensed as incurred for financial instruments measured at fair value and capitalized and amortized over the expected life of the instrument using the straight line method for financial instruments that are subsequently measured at cost or amortized cost.

WINDSORSESSEX COMMUNITY FOUNDATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

3. DONATIONS AND FUND DEVELOPMENT, NET	2018	2017
Income	\$ 2,947,878	\$ 1,678,870
Fundraising expenses	<u>-</u>	<u>(86,262)</u>
	<u>\$ 2,947,878</u>	<u>\$ 1,592,608</u>

4. INVESTMENTS	2018	2017
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Investments of the Foundation are administered by Connor, Clark & Lunn Private Capital Ltd. and Windsor Family Credit Union and are invested in various GICs, bonds, debentures, stocks and equity funds and are stated at market value.

Fair value

Cash and equivalents	\$ 86,164	\$ 1,464,388
Fixed income	4,013,185	5,331,170
Equities	<u>12,129,226</u>	<u>8,585,387</u>
	<u>\$ 16,228,575</u>	<u>\$ 15,380,945</u>

Cost

Cash and equivalents	\$ 86,164	\$ 1,464,814
Fixed income	3,997,676	5,373,902
Equities	<u>11,690,960</u>	<u>7,460,943</u>
	<u>\$ 15,774,800</u>	<u>\$ 14,299,659</u>

5. PROPERTY, PLANT AND EQUIPMENT	2018	2017
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	Cost	Accumulated Amortization	Net	Net
Computer equipment	\$ 13,388	\$ 9,834	\$ 3,554	\$ 2,689
Furniture and fixtures	<u>21,722</u>	<u>12,912</u>	<u>8,810</u>	<u>10,075</u>
	<u>\$ 35,110</u>	<u>\$ 22,746</u>	<u>\$ 12,364</u>	<u>\$ 12,764</u>

WINDSORSEX COMMUNITY FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018****6. MANAGED FUNDS**

Managed funds are those beneficially owned by other organizations for which the income and capital is designated for the benefit of these organizations. Certain managed funds have restrictions with respect to the type of investments that can be made and are to be kept separate from other investments of the Foundation. Income allocated to these funds is determined from the return on the specific restricted investments.

The remaining managed funds have no restrictions with respect to the type of investments that can be made and therefore are commingled with the other investments of the Foundation. Income allocated to these funds is determined on a pro rata basis from the return on the commingled investments. The excess of income allocated over disbursements is added to the capital of the fund.

Fund movements during the year are summarized below:

	2018	2017
Balance, beginning	\$ 3,605,395	\$ 3,274,233
Donations and investment income, net	470,948	333,913
Grants and bursaries	(57,308)	(38,000)
Administrative fees	(9,499)	(9,065)
Transfer from endowment funds	-	44,314
Transfer back to organization	<u>(2,870,695)</u>	<u>-</u>
Balance, ending	<u>\$ 1,138,841</u>	<u>\$ 3,605,395</u>

7. ENDOWMENT AND RESTRICTED FUNDS

The Foundation has a policy with the objective of protecting the real value of the endowments by limiting the amount of income made available for grants and bursaries and requiring the reinvestment into the Endowment Fund of income not made available. During the year, 3.5% (2017, 3.5%) of the market value of most of the fund balances was made available for granting purposes. Further, an amount representing 1% (2017, 1%) of the market value of most of the fund balances was charged as an administrative fee to cover operating expenses. In any year that the Community Fund income is insufficient to fund community grants and overhead expenses, an amount is transferred from the Endowment Fund and the Restricted Fund to the Community Fund to cover them at the Board's discretion.

8. COMMITMENTS

Payment on a building lease expiring May 2019 amounts to \$14,000. It will become due as follows: 2019, \$14,000.

WINDSORESSEX COMMUNITY FOUNDATION**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2018**

9. FINANCIAL INSTRUMENTS

The main risks the Foundations financial instruments are exposed to are credit, liquidity and market risk.

Credit risk

The financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and accounts receivable. The Foundation mitigates its exposure to credit loss by placing its cash with major financial institutions.

Liquidity risk

Liquidity risk relates to the risk the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. The financial liabilities on its statement of financial position consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations.

Market risk (price risk)

Market risk is the risk that changes in market prices, currency and interest rates will affect the Foundation's net earnings or the value of financial instruments. These risks are generally outside the control of the Foundation. The objective of the Foundation is to mitigate market risk exposures within acceptable limits, while maximizing returns. The Foundation's investments in publicly traded securities expose the Foundation to market risk as such investments are subject to price changes in the open market. The Foundation does not use derivative financial instruments to alter the effects of the risk.