

## Financial Statements

Niagara Community Foundation

December 31, 2022

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# Independent Auditor's Report

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To the Directors of  
**Niagara Community Foundation**

## **Opinion**

We have audited the financial statements of Niagara Community Foundation (the "Foundation"), which comprise the statement of financial position as at December 31, 2022, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2022, and its financial performance 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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Foundation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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.

## **Emphasis of matter - restated comparative information**

We draw attention to Note 3 to the financial statements, which explains that certain comparative information presented for the year ended December 31, 2021 has been restated. Our opinion is not modified in respect of this matter.

## **Responsibilities of management and the board of directors 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 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.

The Board of Directors are responsible for overseeing the Foundation's financial reporting process.

# Independent Auditor's Report (continued)

## Auditor's 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 auditor's 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 these 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 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.

We 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.

The logo for Grant Thornton LLP, featuring the company name in a stylized, handwritten font.

St. Catharines, Canada  
June 1, 2023

Chartered Professional Accountants  
Licensed Public Accountants

# Niagara Community Foundation

## Statement of Financial Position

December 31

2022

2021

Restated  
(Note 3)

<b>Assets</b>		
Current		
Cash	\$ 1,913,931	\$ 2,013,257
Sales tax recoverable	21,516	21,605
Prepaid expenses	12,839	11,816
	<u>1,948,286</u>	<u>2,046,678</u>
Long-term		
Cash surrender value of life insurance policies (Note 4)	121,487	119,921
Investments (Note 5)	71,151,159	74,348,178
Equipment	860	1,132
	<u>\$ 73,221,792</u>	<u>\$ 76,515,909</u>
<b>Liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 23,675	\$ 10,079
Deferred contributions (Note 6)	1,154,200	988,823
Deferred revenue	75,000	-
	<u>1,252,875</u>	<u>998,902</u>
<b>Fund balances</b>		
Operating Fund		
Unrestricted	233,609	202,940
Internally Restricted	340,000	340,000
Endowment Fund (Note 7)	69,687,823	68,481,299
Restricted Fund	1,707,485	6,492,768
	<u>71,968,917</u>	<u>75,517,007</u>
	<u>\$ 73,221,792</u>	<u>\$ 76,515,909</u>

On behalf of the board

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Damain Goulbourne

Director

DocuSigned by:



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Bill Crumm

Director

# Niagara Community Foundation

## Statement of Operations

Year ended December 31

				2022	2021
					Restated (Note 3)
	Operating Funds	Restricted Fund	Endowment Fund	Total	Total
Revenues					
Contributions	\$ 491,454	\$ -	\$ 4,464,194	\$ 4,955,648	\$ 9,101,560
Investment income (loss) (Note 5)	-	(1,398,604)	(2,578,314)	(3,976,918)	5,765,246
Special events and fundraising	51,416	-	-	51,416	107,325
Special grants and projects	25,000	-	-	25,000	138,300
	<u>567,870</u>	<u>(1,398,604)</u>	<u>1,885,880</u>	<u>1,055,146</u>	<u>15,112,431</u>
Expenses					
Administrative, governance, and overhead	329,285	320,004	209,020	858,309	728,901
Charitable programs	209,047	-	-	209,047	155,867
Fund development	173,922	-	-	173,922	255,340
Special grants and projects	17,520	-	-	17,520	149,722
	<u>729,774</u>	<u>320,004</u>	<u>209,020</u>	<u>1,258,798</u>	<u>1,289,830</u>
Excess (deficiency) of revenues over expenses before other items	<u>(161,904)</u>	<u>(1,718,608)</u>	<u>1,676,860</u>	<u>(203,652)</u>	<u>13,822,601</u>
Other items					
Administration fees	656,994	(284,115)	(372,879)	-	-
Grants	<u>(464,421)</u>	<u>(2,880,017)</u>	<u>-</u>	<u>(3,344,438)</u>	<u>(2,687,075)</u>
	<u>192,573</u>	<u>(3,164,132)</u>	<u>(372,879)</u>	<u>(3,344,438)</u>	<u>(2,687,075)</u>
Excess (deficiency) of revenues over expenses	<u>\$ 30,669</u>	<u>\$ (4,882,740)</u>	<u>\$ 1,303,981</u>	<u>\$ (3,548,090)</u>	<u>\$ 11,135,526</u>

## Niagara Community Foundation Statement of Changes in Fund Balances

Year ended December 31, 2022

	Operating Funds		Restricted Fund	Endowment Fund	Total
	Unrestricted	Internally Restricted			
Balance, beginning of year	\$ 202,940	\$ 340,000	\$ 6,492,768	\$ 68,481,299	\$ 75,517,007
Excess (deficiency) of revenues over expenses	30,669	-	(4,882,740)	1,303,981	(3,548,090)
Transfer from Endowment Fund (Note 8)	-	-	97,457	(97,457)	-
Balance, end of year	<u>\$ 233,609</u>	<u>\$ 340,000</u>	<u>\$ 1,707,485</u>	<u>\$ 69,687,823</u>	<u>\$ 71,968,917</u>

Year ended December 31, 2021

Restated (Note 3)

	Operating Funds		Restricted Fund	Endowment Fund	Total
	Unrestricted	Internally Restricted			
Balance, beginning of year, as previously stated	\$ 164,945	\$ 240,000	\$ 4,169,177	\$ 60,583,347	\$ 65,157,469
Prior period restatement (Note 3)	-	-	-	(775,988)	(775,988)
Balance, beginning of year, as restated	164,945	240,000	4,169,177	59,807,359	64,381,481
Excess (deficiency) of revenues over expenses	137,995	-	2,189,058	8,808,473	11,135,526
Transfer to internally restricted	(100,000)	100,000	-	-	-
Transfer from Endowment Fund (Note 8)	-	-	134,533	(134,533)	-
Balance, end of year	<u>\$ 202,940</u>	<u>\$ 340,000</u>	<u>\$ 6,492,768</u>	<u>\$ 68,481,299</u>	<u>\$ 75,517,007</u>

# Niagara Community Foundation

## Statement of Cash Flows

Year ended December 31

	2022	2021
		Restated (Note 3)
Increase (decrease) in cash		
Operating		
Excess (deficiency) of revenues over expenses	\$ (3,548,090)	\$ 11,135,526
Add (deduct) items not affecting cash		
Amortization	272	365
In-kind contributions of investment securities (Note 10)	(537,338)	(5,699,148)
Reinvested investment income (loss)	3,976,918	(5,765,246)
Change in cash surrender value of life insurance policies	(1,566)	(37,760)
	<u>(109,804)</u>	<u>(366,263)</u>
Changes in non-cash working capital items		
Accounts receivable	89	(4,100)
Prepaid expenses	(1,023)	(5,206)
Accounts payable and accrued charges	13,596	(4,977)
Deferred contributions	165,377	6,126
Deferred revenue	75,000	-
	<u>143,235</u>	<u>(374,420)</u>
Investing		
Purchase of investments	(3,133,361)	(765,651)
Withdrawals from investments	<u>2,890,800</u>	<u>2,147,013</u>
	<u>(242,561)</u>	<u>1,381,362</u>
Increase (decrease) in cash	(99,326)	1,006,942
Cash		
Beginning of year	<u>2,013,257</u>	<u>1,006,315</u>
End of year	<u>\$ 1,913,931</u>	<u>\$ 2,013,257</u>

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2022

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### 1. Purpose of foundation and legal form

Niagara Community Foundation (the "Foundation") is a public foundation registered under the Canada Not-for-Profit Corporations Act and is a registered charity under the Income Tax Act (Canada).

The Foundation's mission is to improve the quality of life in Niagara through philanthropy. The Foundation provides the means where charitable assets and decision-making can be applied locally, pool charitable gifts of many donors into a permanent, income-earning endowments, and make grants from the earnings of these funds to support a broad variety of initiatives from health, education and social services to arts, culture and the environment.

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### 2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO), and reflect the following policies:

#### **Fund accounting**

Donations and funds received are allocated to the various funds which has been established by the Foundation. Allocations among the funds are determined in accordance with specific agreements for each fund.

#### *Operating funds*

The Operating Funds reports resources available for the Foundation's general operating activities and includes an Unrestricted Fund and an Internally Restricted Reserve. The Internally Restricted Reserve may be used to help meet the Foundation's grant making needs within the purview of the Foundation's mission, and to help finance the Foundation's operating needs, as required and determined from time to time at the discretion of the board of directors.

#### *Restricted fund*

The Restricted Fund represent current and accumulated undistributed investment income from endowment funds that are externally restricted and/or are stipulated in the applicable donor agreement to be granted to the Foundation.

#### *Endowment fund*

The Endowment Fund represents the lesser of:

- a) The fair market value of all of the endowment funds comprising the Endowment Fund, and
- b) The aggregate of:
  - i. The historic dollar value of gifts made to the Foundation, where the donor has stipulated that the gift amount is required to be maintained by the Foundation in perpetuity (externally endowed);
  - ii. The historic dollar value of funds endowed by Board policy, where the original contributions will not be made available for grants.

If the fair market value of the Endowment Fund is in excess of its book value, the excess will be allocated to the Restricted Fund.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2022

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### 2. Significant accounting policies (continued)

#### *Endowment fund (continued)*

If the fair market value of the Endowment Fund is less than its book value, no allocation will be made from the Endowment Fund until the fair market value of the Endowment Fund has been restored to its book value, except in cases where the Canada Revenue Agency's disbursement quota cannot be met. In years where current or accumulated earnings are not sufficient to meet the disbursement quota, the distribution may be drawn from the capital, as defined in the fund agreements, in each fund.

#### **Revenue recognition**

The Foundation follows the restricted fund method of accounting for contributions. Contributions that the donor has required to be held in perpetuity are recognized as revenue in the Endowment Fund. Restricted contributions for which there is no associated restricted fund associated with it are reported as deferred contributions and recognized in the year in which related expenses are incurred. Restricted contributions that have a restricted fund associated with it, are reported as revenue of the restricted fund when received.

Unrestricted contributions, including contributions of investment securities, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Pledged contributions are not recorded until received due to the uncertainty involved in their collection.

Investment income is recognized when interest income is earned and dividends are declared. Revenue earned from special projects and special events are recognized as services are provided.

#### **Contributed goods and services**

Contributed goods are recognized when fair value can be reasonably estimated, the materials or services are used in the normal course of operations and the organization would have purchased the materials if they had not been contributed. Contributed services are not recognized.

#### **Equipment and amortization**

Equipment is recorded at cost. Amortization is calculated using the declining-balance method at rates designed to amortize the cost over the useful life of the assets as follows:

Equipment and furnishings	20%
Computer equipment	30%

#### **Disclosure of allocated expenses**

The Foundation's operations include administrative, governance, overhead, charitable programs and funds development expenditures. The costs of each function include the costs of personnel that are directly related to carry out these activities.

The Foundation allocates salaries and benefits proportionately based on the estimated time spent by personnel to carry out these activities.

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# **Niagara Community Foundation**

## **Notes to the Financial Statements**

December 31, 2022

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### **2. Significant accounting policies (continued)**

#### **Financial instruments**

Financial instruments are initially measured at fair value when acquired or issued. In subsequent periods, investments are reported at fair value, with any unrealized gains and losses reported in operations. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.

Financial instruments are comprised of cash, investments, cash surrender value of life insurance policies and accounts payable.

When there is an indication of impairment, and the Foundation determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows, a write-down is recognized in excess of revenue over expenses. A previously recognized impairment loss may be reversed to the extent of the improvement. The carrying amount of the financial asset may not be greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in excess of revenue over expenses.

#### **Use of estimates**

Management reviews the carrying amounts of items in the financial statements at each statement of financial position date to assess the need for revision or any possibility of impairment. Many items in the preparation of these financial statements require management's best estimate. Management determines these estimates based on assumptions that reflect the most probable set of economic conditions and planned courses of action.

These estimates are reviewed periodically and adjustments are made to excess of revenue over expenses as appropriate in the year they become known.

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### **3. Prior period restatement**

During the year, the Foundation determined that certain contributions were included in the Endowment fund that did not meet the definition of an endowment under ASNPO and should instead be considered an externally restricted contribution.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2022

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### 3. Prior period restatement (continued)

The Foundation has corrected this error retrospectively, and as a result, the following financial statement items as at December 31, 2021 have been increased (decreased) as follows:

	Previously Reported	Adjustment	Restated
<b>Statement of Financial Position</b>			
Deferred contributions	\$ 243,029	\$ 745,794	\$ 988,823
<b>Statement of Operations</b>			
Contributions - Operating Funds	262,893	30,194	293,087
<b>Statement of Cash Flows</b>			
Deferred contributions	36,320	(30,194)	6,126
<b>Statement of Changes in Net Assets</b>			
Operating Fund - Unrestricted, end of year	172,746	30,194	202,940
Endowment Fund, beginning of year	60,583,347	(775,988)	59,807,359
Endowment Fund, end of year	69,257,287	(775,988)	68,481,299

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### 4. Cash surrender value of life insurance policies

The Foundation is the owner and beneficiary of certain life insurance policies. The face value of the policies is \$662,518 (2021: \$605,262). The movement in the cash surrender value of the life insurance of \$1,566 (2021: \$37,760) is included in the statement of operations of the Operating Fund in contributions revenue.

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### 5. Investment and investment income

Investments are measured at fair value and are invested as follows:

	2022		2021	
Cash	\$ 2,902,420	4.1 %	\$ 4,099,373	5.5 %
Canadian equities	12,902,346	18.1	10,681,805	14.4
Global equities	27,245,969	38.3	33,501,720	45.1
Fixed income bonds	7,145,152	10.0	8,164,086	11.0
Other investments	20,955,272	29.5	17,901,194	24.0
	<b>\$ 71,151,159</b>	<b>100.0 %</b>	<b>\$ 74,348,178</b>	<b>100.0 %</b>

The investments above include \$51,014,095 (2021: \$51,572,371) that are administered by the Toronto Foundation ("TF") in a pooling arrangement. The TF administers the pooled fund and reports the pro rata share of the Foundation's investment. The Foundation may withdraw their investment at any time. Investment income earned on investments held by the Foundation are allocated to the Funds based on monthly market values.

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2022

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### 5. Investment and investment income (continued)

Certain endowed Funds are invested outside the Foundations main investment pool with TF. These Funds are managed by external investment managers.

Other investments include the fair market value of certain alternative investments including infrastructure, private equity, venture capital, real estate, commodities, non-equities, foreign exchange or any other investment not categorized.

Income (loss) on funds invested are as follows:

	2022	2021
Interest and dividends	\$ 1,661,479	\$ 1,339,342
Realized gains (losses)	(27,787)	946,427
Unrealized gains (losses)	<u>(5,610,610)</u>	<u>3,479,477</u>
Investment income (loss)	<u><u>\$ (3,976,918)</u></u>	<u><u>\$ 5,765,246</u></u>

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### 6. Deferred contributions

	2021	Contributions received	Contributions recognized as revenue	2022
	Restated (Note 3)			
Deferred contributions	<u>\$ 988,823</u>	<u>\$ 638,546</u>	<u>\$ (473,169)</u>	<u><u>\$ 1,154,200</u></u>

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### 7. Endowment Fund

As at December 31, 2022, due to market volatility, the fair market value of the Endowment Funds are below its historical book value. The deficiency of the fair market value is \$3.1 million less than book value of these funds.

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### 8. Fund transfers

During the year, management determined that certain investment income (including unrealized gains and losses) in previous years, had been misclassified as endowed when these amounts were purpose restricted. Accordingly, a transfer from the Endowment Fund to the Restricted Fund was recorded during the year to adjust the misclassification

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# Niagara Community Foundation

## Notes to the Financial Statements

December 31, 2022

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### 9. Allocation of expenses

Salaries and benefits expenses incurred during the year amounted to \$389,188 (2021: \$373,303). These expenses have been allocated on the Statement of Operations as follows:

	<b>2022</b>	<b>2021</b>
Administrative, governance, overhead	\$ 68,577	\$ 66,663
Charitable programs	109,763	105,163
Fund development	<u>196,876</u>	<u>182,230</u>
	<b><u>\$ 375,216</u></b>	<b><u>\$ 354,056</u></b>

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### 10. Gifts-in-kind

During the year, the Foundation received \$562,582 (2021: \$5,720,903) of gifts-in-kind which are recorded in contributions and special events revenue. The majority of gifts-in-kind relate to endowment contributions of investment securities totaling \$537,338 (2021: \$5,699,148) which are liquidated shortly after being received.

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### 11. Financial instruments

The Foundation is exposed to various risks through its financial instruments. There was no significant change in exposure from the prior year.

#### (a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation is exposed to credit risk in the event of non-performance by counterparties in connection with its investments. Management has an investment policy in place to reduce exposure to credit risk with a balanced and diversified portfolio.

#### (b) Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting the obligations associated with its financial liabilities. The majority of the Foundation's assets are investments traded in active markets that can be readily liquidated and therefore the Foundation's liquidity risk is considered minimal. In addition, the Foundation aims to retain a sufficient cash position to manage requirements.

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# **Niagara Community Foundation**

## **Notes to the Financial Statements**

December 31, 2022

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### **11. Financial instruments (continued)**

#### **(c) Market risk**

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

##### **(i) Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Foundation is exposed to currency risk on its foreign market investments as prices denominated in foreign currencies are converted to Canadian dollars in determining fair value. The objective for the Foundation's investment policy is to control currency risk by maintaining a geographically diversified portfolio.

##### **(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is invested in a number of fixed income instruments, individual bonds and loans, pooled bond funds, as well as pooled mortgage funds. The Foundation's portfolio managers limit the duration of fixed income holdings in their portfolios in order to accommodate possible changes in interest rate.

##### **(i) Other price risk**

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. There was no significant change in exposure from the prior year. The Foundation is exposed to the effects of the market fluctuations related to its investments as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The objective for the Foundation's investment policy is to manage other price risk by maintaining a geographically diversified portfolio.

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