

Financial Statements of

**THE SOUTH
SASKATCHEWAN
COMMUNITY FOUNDATION
INC.**

Year ended December 31, 2013



KPMG LLP
Chartered Accountants
Hill Centre Tower II
1881 Scarth Street, 20th Floor
Regina Saskatchewan S4P 4K9
Canada

Telephone (306) 791-1200
Fax (306) 757-4703
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Directors of the South Saskatchewan Community Foundation Inc.

We have audited the accompanying financial statements of the South Saskatchewan Community Foundation Inc., which comprise the statement of financial position as at December 31, 2013, the statements of operations and changes in fund balances 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 the South Saskatchewan Community Foundation Inc. as at December 31, 2013, 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

Chartered Accountants

April 22, 2014
Regina, Canada

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Statement of Financial Position

December 31, 2013, with comparative information for 2012

	2013	2012
Assets		
Current assets:		
Cash	\$ 2,130,862	\$ 1,296,162
Accounts receivable	64,087	65,373
Accrued interest receivable	84,458	124,298
	<u>\$ 2,279,407</u>	<u>\$ 1,485,833</u>
Investments (note 2)	30,507,530	29,358,825
Intangible assets (note 3)	2,385,925	2,515,478
	<u>\$ 35,172,862</u>	<u>\$ 33,360,136</u>

Fund Balances

General	\$ 754,658	\$ 631,449
Endowment	34,418,204	32,728,687
Commitments (note 4)		
	<u>\$ 35,172,862</u>	<u>\$ 33,360,136</u>

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Statement of Operations and Changes in Fund Balances

December 31, 2013, with comparative information for 2012

	General	Endowment	Total 2013	Total 2012
Revenue:				
Contributions	\$ 55,481	\$ 1,743,534	\$ 1,799,015	\$ 6,024,442
Investment income	-	888,407	888,407	773,352
Income from equity - accounted investment	-	174,067	174,067	98,495
Realized (losses) gains on sale of investments	-	(58,818)	(58,818)	26,408
GST rebate	-	5,514	5,514	12,221
Unrealized gains on investments	-	1,808,309	1,808,309	1,011,889
	55,481	4,561,013	4,616,494	7,946,807
Expenses:				
Distributions	-	1,419,197	1,419,197	1,464,552
Investment management fees	-	139,710	139,710	126,111
Amortization	-	129,553	129,553	75,572
Administration (Schedule 1)	(32,742)	334,967	302,225	228,333
Impairment on equity- accounted investment (note 2)	-	813,083	813,083	-
	(32,742)	2,836,510	2,803,768	1,894,568
Increase in fund balances	88,223	1,724,503	1,812,726	6,052,239
Fund balance, beginning of year	631,449	32,728,687	33,360,136	27,307,897
Transfer from Endowment Fund to the General Fund	34,986	(34,986)	-	-
Fund balance, end of year	\$ 754,658	\$ 34,418,204	\$ 35,172,862	\$ 33,360,136

See accompanying notes to financial statements.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Statement of Cash Flows

December 31, 2013, with comparative information for 2012

	2013	2012
Cash provided by (used in):		
Operations:		
Increase in fund balances	\$ 1,812,726	\$ 6,052,239
Items not involving cash:		
Amortization	129,553	75,572
Realized losses (gains) on sale of investments	58,818	(26,408)
Unrealized gains on investments	(1,808,309)	(1,011,889)
Income from equity-accounted investment	(174,067)	(98,495)
Impairment on equity-accounted investment	813,083	-
Contribution of capital asset	-	(2,591,050)
Change in non-cash operating working capital:		
Accounts receivable	1,286	(62,899)
Accrued interest receivable	39,840	6,566
	<u>872,930</u>	<u>2,343,636</u>
Investing:		
Net increase in investments	(165,730)	(2,217,543)
Dividends from equity-accounted investment	127,500	22,000
	<u>(38,230)</u>	<u>(2,195,543)</u>
Increase in cash	834,700	148,093
Cash, beginning of year	1,296,162	1,148,069
Cash, end of year	<u>\$ 2,130,862</u>	<u>\$ 1,296,162</u>

See accompanying notes to financial statements.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Schedule 1 - Administration Expenses

December 31, 2013, with comparative information for 2012

	2013	2012
Advertising	\$ 707	\$ -
Annual meeting	1,716	254
Communications	14,116	-
Conference	16,976	12,088
GST	6,232	6,303
Insurance	3,362	3,458
Interest & bank charges	369	447
Meals and entertainment	2,864	-
Membership fees	10,038	11,011
Miscellaneous	2,134	984
Office supplies and telephone	27,115	42,673
Professional fees	38,938	13,841
Rent	16,929	2,520
Salaries and benefits	147,223	123,706
Training & relationship development	2,105	-
Travel	10,457	11,048
Utilities	944	-
Total administration expenses	302,225	228,333
Less administration expenses allocated to the endowment fund	(334,967)	(288,256)
	\$ (32,742)	\$ (59,923)

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to Financial Statements

Year ended December 31, 2013

Nature of operations:

The South Saskatchewan Community Foundation Inc. (the "Foundation") was continued under the *Non-Profit Corporations Act of Saskatchewan* for the purposes of using revenue earned from donated funds to provide financial assistance for charitable, educational and cultural purposes.

1. Significant accounting policies:

The Foundation's significant accounting policies are as follows:

(a) Basis of presentation

The Foundation utilizes the restricted fund method of accounting. For accounting and financial reporting purposes the Foundation classifies the resources which it holds into the following funds:

Endowment Fund

The Endowment Fund reflects amounts donated or bequeathed to the Foundation where the donor identifies the funds as endowment funds. In making such endowed donations, donors may suggest that the contributions be used for a specific charitable purpose (referred to as designated funds), make specific recommendations regarding the charitable use from time to time (referred to as "donor advised"), make a contribution for the broad charitable purpose of the Foundation (referred to as "undesignated"), or make a contribution where the investment income earned net of administration expenses is used for the administration of the Foundation (referred to as "contributed") and, except in unusual circumstances, it is the practice of the Foundation to follow such suggestions where it is permitted to do so by applicable laws.

For accounting and financial reporting purposes, investment income, including realized and unrealized investment gains and losses, and net of investment management fees is recognized in the Endowment Fund. Other expenses are allocated to the Endowment Fund based on 1% of the beginning balance of the Endowment Fund, and is calculated on a quarterly basis.

General Fund

The General Fund reports resources allocated for the Foundation's general operations and administration.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(b) Financial assets and liabilities:

Financial instruments are recorded at fair value on initial recognition. Equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry instruments at fair value. The Foundation has elected to carry investments at fair value, with the exception of certain investments as noted in note 2.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment and the Foundation determines that there is a significant adverse change in the expected amount of timing of future cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset and the amount the Foundation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(c) Intangible assets:

Intangible assets are recorded at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates.

Asset	Method	Rate
Mineral rights	Straight-line	20 years

The carrying value of an item of intangible assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

1. Significant accounting policies (continued):

(d) Income taxes:

The Foundation is exempt from income taxes and is also a charitable organization registered under the *Income Tax Act*.

(e) Revenue recognition:

Contributions and donations are recognized on the earlier of when they are received and when the rights of ownership have been transferred to the Foundation.

Bequests are recorded upon receipt of the donated assets.

Interest on bonds and debentures, term deposits and GIC's are recorded on the accrual basis. Dividends that have been declared are recorded as income on the date of record set for the dividend.

(f) 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 contingent assets and liabilities at the date of the financial statements and the reported assets and liabilities and disclosure of amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Investments:

	2013	2012
Bonds, debentures, term deposits and GIC's	\$ 13,181,279	\$ 13,485,518
Equity funds, common and preferred shares	16,826,251	14,606,791
Equity - accounted investment	500,000	1,266,516
	\$ 30,507,530	\$ 29,358,825

Bonds, debentures, term deposits and GIC's have effective interest rates ranging from 1.30% to 6.02% (2012 - 1.20% to 6.02%) and maturities ranging from 11 days to 9 years, 11 months (2012 - 3 days to 9 years, 11 months).

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

2. Investments (continued):

The Foundation owns all of the shares of 101152352 Saskatchewan Ltd. which is accounted for using the equity method. 101152352 Saskatchewan Ltd. generates royalty revenue from its mineral rights. In 2013, an independent valuation of the investment in 101152352 Saskatchewan Ltd. was performed. The market value of the investment was determined to be \$500,000. The carrying value of the investment as at December 31, 2013 was \$1,313,083; accordingly, an allowance for impairment of \$813,083 has been recognized during the year.

Details related to 101152352 Saskatchewan Ltd. as at and for the years ended December 31 are as follows:

		2013		2012
Total assets	\$	181,324	\$	217,491
Total liabilities		181,303		265,735
Net assets		21		(48,244)
Total revenue		679,105		107,872
Total expenses		460,130		114,222

Subsequent to year end, it is expected that 101152352 Saskatchewan Ltd. will be dissolved and the mineral rights held will be transferred to the Foundation.

3. Intangible assets:

		2013		2012	
	Cost	Accumulated Amortization	Net book value	Net book value	
Mineral rights	\$ 2,591,050	\$ 205,125	\$ 2,385,925	\$ 2,515,478	

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

4. Commitments:

The Foundation is committed under a lease for office space over the next five years as follows:

2014	\$	23,590
2015		23,590
2016		24,152
2017		25,837
2018		17,973

5. Risk management:

Exposure to credit risk, liquidity risk and market risk arises in the normal course of the Foundation's operations.

The Foundation adheres to an investment policy, which is approved by the Board of Directors, that outlines the objectives, policies and processes related to its investing activities. The policy prescribes limits around the quality and concentration of investments held by the Foundation. The Board of Directors has overall responsibility for the establishment and oversight of the Foundation's risk management framework.

Credit risk

The Foundation's principal financial assets are cash, accounts receivable, accrued interest receivable and investments. The carrying amounts of financial assets on the statement of financial position represent the Foundation's maximum credit exposure at the statement of financial position date.

The Foundation's credit risk is primarily related to cash, accounts receivable, accrued interest receivable, bonds and debentures, term deposits and GIC's. The credit risk on these financial assets is managed through an investment policy which places a minimum of grade A on bonds and debentures, except for bonds issued by provincial or municipal governments.

Interest rate risk

The Foundation is exposed to interest rate risk on its investment in bonds and debentures, term deposits and GIC's. Information about the interest rates and maturities of these is provided in note 2.

Market risk

The Foundation is exposed to market risk on its equity funds, common and preferred share investments due to changing market conditions. The Foundation manages this risk by establishing and monitoring asset allocation strategies and diversifying its investments.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to Financial Statements (continued)

Year ended December 31, 2013

6. Comparative figures:

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2013 financial statements.