



Financial Statements of

**THE SOUTH SASKATCHEWAN
COMMUNITY FOUNDATION INC.**

For the period ended December 31, 2019

Management's Responsibility for Financial Reporting

Management has the responsibility for preparing the accompanying financial statements. This responsibility includes selecting appropriate accounting policies and making objective judgments and estimates in accordance with Canadian accounting standards for not-for-profit organizations.

In discharging its responsibilities for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

Ultimate responsibility for financial statements lies with the Board of Directors.

Independent auditors examine the financial statements and meet with management to review their findings. The independent auditors' report follows. The auditors have full and free access to the Board of Directors to discuss their findings regarding the integrity of the Foundation's financial reporting and the adequacy of the system of internal controls.



Donna Ziegler
Executive Director



Vanessa Bonk, MBA, CPA, CMA
Director, Finance & Administration

INDEPENDENT AUDITORS' REPORT



**VIRTUS
GROUP**
Chartered Professional Accountants
& Business Advisors LLP

**To the Directors,
South Saskatchewan Community Foundation Inc.**

Opinion

We have audited the financial statements of **South Saskatchewan Community Foundation Inc.**, which comprise the statement of financial position as at December 31, 2019, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with 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 report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Saskatchewan, 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.

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 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 Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

INDEPENDENT AUDITORS' REPORT continued

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 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 Fund'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 Fund'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 Fund 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 significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

May 21, 2020
Regina, Saskatchewan

VIRTUS GROUP LP
Chartered Professional Accountants

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Statement of Financial Position

As at December 31, 2019 with comparative figures for 2018

	2019	2018
Assets		
Current Assets		
Cash	\$ 179,535	\$ 2,130,231
Accounts receivable	67,818	55,084
Prepaid expenses	10,065	7,782
Accrued interest receivable	16,274	23,248
	<u>273,692</u>	<u>2,216,345</u>
Tangible Capital Assets (Note 3)	17,571	14,521
Investments (Note 4)	79,923,407	64,332,464
Intangible Assets (Note 5)	2,000,000	3,091,050
	<u>\$ 82,214,670</u>	<u>\$ 69,654,380</u>
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable	\$ 113,270	\$ 38,101
Deferred revenue	32,137	31,997
	<u>145,407</u>	<u>70,098</u>
Fund Balances		
General	820,553	1,183,002
Operational reserve	500,000	-
Endowment	80,748,710	68,401,280
	<u>82,069,263</u>	<u>69,584,282</u>
	<u>\$ 82,214,670</u>	<u>\$ 69,654,380</u>

Commitments (Note 7)

See accompanying notes to the financial statements

On behalf of the Board:





THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Statement of Operations and Changes in Fund Balances

For the year ended December 31, 2019 with comparative figures for 2018

	General Fund and Operational Reserve	Endowment	Total 2019	Total 2018
Revenue				
Contributions (Note 6)	\$ 198,776	\$ 7,432,445	\$ 7,631,221	\$ 3,951,018
Investment income	51,485	1,627,466	1,678,951	1,923,555
Royalty revenue	-	945,152	945,152	1,522,038
Fund administration	40,000	-	40,000	31,600
Realized gain on sale of investments	2,310	180,309	182,619	853,619
Unrealized gain (loss) on investments	146,131	8,608,925	8,755,056	(2,868,750)
	438,702	18,794,297	19,232,999	5,413,080
Expenses				
Distributions	61,800	4,290,958	4,352,758	6,531,805
Intangible asset impairment (Note 5)	-	1,091,050	1,091,050	-
Investment management fees	-	337,375	337,375	280,951
Amortization	7,040	-	7,040	4,518
Mineral royalty taxes	-	5,348	5,348	-
Other expenses	-	-	-	28,461
Administration (Schedule 1)	314,895	639,552	954,447	835,381
	383,735	6,364,283	6,748,018	7,681,116
Increase (decrease) in fund balances	54,967	12,430,014	12,484,981	(2,268,036)
Fund balance - beginning of year	1,183,002	68,401,280	69,584,282	71,852,318
Transfers (Note 6)	82,584	(82,584)	-	-
Fund balance - end of year	\$ 1,320,553	\$ 80,748,710	\$ 82,069,263	\$ 69,584,282

See accompanying notes to the financial statements.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Statement of Cash Flows

For the year ended December 31, 2019 with comparative figures for 2018

	2019	2018
Cash provided by (used in) the following:		
Operating activities		
Increase (decrease) in fund balances	\$ 12,484,981	\$ (2,268,036)
Non-cash items:		
Amortization	7,040	4,518
Intangible asset impairment	1,091,050	-
Realized (gains) on sale of investments	(182,619)	(853,619)
Unrealized (gains) losses on investments	(8,755,056)	2,868,750
Change in non-cash operating working capital:		
Accounts receivable	(12,734)	35,638
Prepaid expenses	(2,283)	(1,908)
Accrued interest receivable	6,974	4,891
Accounts payable	75,169	(38,098)
Deferred revenue	140	29,377
	4,712,662	(218,487)
Investing activities		
Purchase of tangible capital assets	(10,090)	(9,352)
Net (increase) decrease of investments	(6,653,268)	1,566,636
	(6,663,358)	1,557,284
Decrease (increase) in cash	(1,950,696)	1,338,797
Cash, beginning of year	2,130,231	791,434
Cash, end of year	\$ 179,535	\$ 2,130,231

See accompanying notes to the financial statements.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to the Financial Statements

For the year ended December 31, 2019

(with comparative figures for the year ended December 31, 2018)

1. Nature of operations

The South Saskatchewan Community Foundation Inc. (the "Foundation") is incorporated under *The Non-Profit Corporations Act, 1995* in Saskatchewan. It uses revenue earned from donated funds to provide financial assistance for charitable, educational and cultural purposes. The Foundation is exempt from income taxes as it is a charity registered under the *Income Tax Act*.

2. 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. 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 that may have terms of reference that have varying time frames for the capital contributions to be held. In making such 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.

Investment income, including realized and unrealized investment gains and losses, and investment management fees are recognized in each endowment fund, in proportion to its percentage of the total investment portfolio. Distributions for each fund are set annually by the board of directors. Other expenses are allocated to each endowment fund at a rate of 0.25% of the opening balance at each fiscal quarter. Royalty revenues are recognized in the endowment funds that contributed the underlying mineral right assets.

General Fund

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

Operational Reserve

The Operational Reserve was established by the Board in 2019 to ensure the sustainability of the Foundation. Each year, at the Board's discretion, amounts can be transferred to or from the fund.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to the Financial Statements

For the year ended December 31, 2019

(with comparative figures for the year ended December 31, 2018)

2. 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 all investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed. 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 or 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) Investments

Investments are recorded at fair market value.

(d) Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight line basis over the estimated useful life of the assets at the following annual rates:

Furniture and equipment	10 years
Computer hardware	4 years
Computer software	5 years
Leasehold improvements	5 years

(e) Intangible assets

Intangible assets are recorded at the fair market value at the date of contribution. The carrying value is tested for impairment 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 market value.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to the Financial Statements

For the year ended December 31, 2019

(with comparative figures for the year ended December 31, 2018)

2. Significant accounting policies continued

(f) 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 when the assets are received. Royalty revenues are recognized in the period they are received.

Interest on bonds and debentures, term deposits and guaranteed investment certificates are recorded on the accrual basis. Dividends are recorded as income as they are declared. Realized and unrealized gains (losses) on investments are recognized as they occur.

(g) 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.

3. Tangible capital assets

	Cost	Accumulated Amortization	Net Book Value 2019	Net Book Value 2018
Furniture and equipment	\$36,246	\$18,675	\$17,571	\$14,521

4. Investments

	2019	2018
Bonds and debentures and guaranteed investment certificates	\$ 971,000	\$ 1,258,000
Equity funds, common and preferred shares, cash surrender value of life insurance	78,952,407	63,074,464
	\$ 79,923,407	\$ 64,332,464

Bonds, debentures, term deposits and guaranteed investment certificates have effective interest rates ranging from 2% to 2.65% (2018 – 2% to 2.85%) and maturities ranging from January 2020 to April 2021 (2018 – January 2019 to April 2021). Cash surrender value of life insurance policies total \$29,850 (2018 - \$29,123).

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to the Financial Statements

For the year ended December 31, 2019

(with comparative figures for the year ended December 31, 2018)

5. Intangible assets

Intangible assets consist of mineral rights on various properties in Saskatchewan. These assets were recognized at their fair market value at the time the rights were received. During the year, an external valuation indicated that the value of these assets was impaired, and as a result, the Foundation recognized an impairment expense of \$1,091,050.

6. Transfers between funds

Contribution revenue in the endowment fund does not include transfers among endowed funds, as the original contribution has already been recognized as revenue. Transfers among endowed funds net to zero, as they are a contribution to one fund and a distribution from another fund. The transfers between operating and the endowment funds were \$82,584 (2018 - \$18,806) during the year.

7. Commitments

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

2020	35,385
2021	23,591

8. Risk management

Exposure to credit risk, liquidity risk, interest rate 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, which 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 credit risk on these financial assets is managed through the investment policy, which outlines the quality of investments that may be purchased. The Foundation has recognized \$nil (2018 - \$nil) as an allowance for doubtful accounts.

Liquidity risk

The Foundation is exposed to liquidity risk as it must ensure that there are sufficient resources available to provide distributions in accordance with donor agreements. Liquidity risk is managed through the investment policy, which requires a specific portion of the portfolio be held in liquid investments.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Notes to the Financial Statements

For the year ended December 31, 2019

(with comparative figures for the year ended December 31, 2018)

8. Risk management continued

Interest rate risk

The Foundation is exposed to interest rate risk on its investment in bonds, debentures, term deposits and guaranteed investment certificates. Interest rate risk is managed through the investment policy.

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.

9. Subsequent event

On March 11, 2020, the World Health Organization declared a global pandemic for the COVID-19 virus. The Foundation is following health advisories and mandatory requirements from local, provincial and national health and government organizations. The impact of the pandemic on the Foundation's operations and finances, if any, is unknown at this time.

The Foundation has significant investment holdings and world wide financial markets have significantly declined since the pandemic was declared. As of March 31, 2020, the Foundation's equity investments had a fair market value of \$71,727,155, a decline of \$7,195,402 or 9.12% since year end. This decline has not been recognized in the financial statements as management believes that the value of the investment portfolio will recover when the pandemic is over. Financial markets continue to fluctuate daily based on current events. It is unknown whether the Foundation will experience a financial loss on its investments, and if so, how much.

10. Comparative figures

Certain comparative figures were reclassified to conform to the presentation in the current year.

THE SOUTH SASKATCHEWAN COMMUNITY FOUNDATION INC.

Schedule of Administration Expenses

For the year ended December 31, 2019 with comparative figures for 2018

	2019	2018
Advertising	\$ 1,923	\$ 1,979
Bank charges	2,869	1,049
Communications	95,735	54,879
Conferences and professional development	59,591	46,963
Contracted services - web and computer equipment	51,072	75,688
Insurance	4,016	3,828
Memberships	26,039	25,757
Office janitorial services	3,472	3,602
Office rent	50,910	45,086
Office supplies	21,323	15,567
Professional services	45,955	43,776
Salaries and benefits	570,025	463,765
Stewardship and development	3,049	38,948
Telephone and internet	9,150	7,381
Travel	3,027	946
Utilities	6,291	6,167
Total expenses	954,447	835,381
Less administraton levy allocated to the endowment fund	(639,552)	(629,604)
Total administration expenses	\$ 314,895	\$ 205,777

See accompanying notes to the financial statements.