

THE STEINBACH COMMUNITY FOUNDATION INC.

STEINBACH, MANITOBA

DECEMBER 31, 2019

Independent Auditor's Report

To the Directors of;
The Steinbach Community Foundation Inc.

Opinion

We have audited the accompanying financial statements of The Steinbach Community Foundation Inc., which comprise the statement of financial position as at December 31, 2019, and the statements of revenue and expenditure, changes in net assets 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 The Steinbach Community Foundation Inc. as at December 31, 2019, 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.

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 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.

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 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.

Those charged with governance are responsible for overseeing the foundation'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 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 Steinbach Community Foundation Inc.'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 Steinbach Community Foundation Inc.'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 Steinbach Community Foundation Inc. 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.

June 24, 2020
Winnipeg, Manitoba



Chartered Professional Accountants Inc.

THE STEINBACH COMMUNITY FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31

	2019	2018
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	90,998	67,767
Restricted cash (<i>note 3</i>)	39,289	-
Accounts receivable	3,000	8,423
	<u>133,287</u>	<u>76,190</u>
FUNDS MANAGED BY THE WINNIPEG FOUNDATION (<i>note 4</i>)	<u>1,038,425</u>	<u>941,653</u>
	<u>1,171,712</u>	<u>1,017,843</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>2,400</u>	<u>2,400</u>
NET ASSETS		
UNRESTRICTED NET ASSETS	90,598	73,790
RESTRICTED FUNDS (<i>note 6</i>)	<u>1,078,714</u>	<u>941,653</u>
	<u>1,169,312</u>	<u>1,015,443</u>
	<u>1,171,712</u>	<u>1,017,843</u>

Approved on Behalf of the Board

_____ Director

_____ Director

The accompanying notes are an integral part of these financial statements

THE STEINBACH COMMUNITY FOUNDATION INC.

STATEMENT OF OPERATIONS

	Year Ended December 31	
	2019	2018
	\$	\$
REVENUE		
Allocation from endowment funds	21,834	26,926
Administration fees	11,711	7,173
Grants - other	4,058	2,840
Donations	4,277	2,758
Other income	1,113	965
	<u>42,993</u>	<u>40,662</u>
EXPENDITURE		
Grants approved	22,106	20,926
Advertising and promotion	-	924
Interest and service charges	4	109
Professional fees	3,390	2,812
Office and supplies	235	549
Memberships	450	450
	<u>26,185</u>	<u>25,770</u>
EXCESS OF REVENUE OVER EXPENDITURE	<u>16,808</u>	<u>14,892</u>

The accompanying notes are an integral part of these financial statements

THE STEINBACH COMMUNITY FOUNDATION INC.**STATEMENT OF CHANGES IN NET ASSETS**

	Year Ended December 31			
	Consolidated Restricted Funds	Unrestricted Net Assets	2019 Total	2018 Total
	\$	\$	\$	\$
NET ASSETS				
Balance, beginning of year	941,653	73,790	1,015,443	774,259
Excess of revenue over expenditure	-	16,808	16,808	14,892
New gifts	23,870	-	23,870	270,978
Grants - The Winnipeg Foundation / Province of Manitoba	17,592	-	17,592	13,590
Net change in unrealized gains (losses)	77,223	-	77,223	(62,261)
Investment income	61,575	-	61,575	46,998
Administration fees paid	(21,365)	-	(21,365)	(13,329)
Income allocation	(21,834)	-	(21,834)	(29,685)
Balance, end of year	<u>1,078,714</u>	<u>90,598</u>	<u>1,169,312</u>	<u>1,015,442</u>

The accompanying notes are an integral part of these financial statements

THE STEINBACH COMMUNITY FOUNDATION INC.

STATEMENT OF CASH FLOWS

	Year Ended December 31	
	2019	2018
	\$	\$
CASH PROVIDED BY (USED FOR) THE FOLLOWING ACTIVITIES		
OPERATING		
Excess of revenue over expenditure for the year	16,808	14,892
Net changes in non-cash working capital affecting operations (<i>note 7</i>)	6,423	(8,323)
	<u>23,231</u>	<u>6,569</u>
FINANCING		
Donations and income earned on endowment fund	137,061	226,291
	<u>137,061</u>	<u>226,291</u>
INVESTING		
Purchase of funds managed by The Winnipeg Foundation	(137,061)	(226,291)
	<u>(137,061)</u>	<u>(226,291)</u>
INCREASE IN CASH RESOURCES	23,231	6,569
CASH RESOURCES, BEGINNING OF YEAR	67,767	61,198
	<u>67,767</u>	<u>61,198</u>
CASH RESOURCES, END OF YEAR	<u>90,998</u>	<u>67,767</u>

The accompanying notes are an integral part of these financial statements

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

1. PURPOSE OF ORGANIZATION

The Steinbach Community Foundation Inc. ("Foundation") was established in 1998 to benefit the citizens of Steinbach and surrounding areas by supporting social services, arts and cultural services, education, medical services and other community activities or facilities of a charitable nature. The Foundation is incorporated under the Manitoba Companies Act as a not-for-profit organization and became a registered charity in 1999, classified as a public foundation.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian Accounting Standards for not-for-profit organizations. Outlined below are those policies considered particularly significant for the organization.

a) REVENUE RECOGNITION

The Foundation follows the deferral method of accounting for contributions under which restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred.

Endowment contributions are reported as direct increases in net assets. Unrealized gains or losses on endowment investments are recorded through net assets, without any allocation to the Statement of Operations. Unrealized gains or losses on other investments are included in investment income in the Statement of Operations.

Unrestricted grants and donations are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

Other income is recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

Pledges are not recognized until collected, as the Foundation cannot make a reasonable estimate of the amount that will be collected and collection is not reasonably assured.

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

b) CURRENT GRANT COMMITMENTS

Measurement of financial instruments

The Foundation initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Foundation subsequently measures all its financial assets and financial liabilities at amortized cost, except for investments in equity instruments that are quoted in an active market, which are measured at fair value. Changes in fair value are recognized in the statements of operations in the period incurred. Financial assets measured at amortized cost include cash, amounts receivable and fixed income investments.

Financial liabilities measured at amortized cost include accounts payable and accrued liabilities. Financial assets measured at fair value include equity instruments that are quoted in an active market.

The fair values of investments quoted in an active market are determined by reference to the latest closing transactional net asset value of each respective investment.

Impairment

At the end of each reporting period, the Foundation assesses whether there are any indications that a financial asset measured at amortized cost may be impaired. Objective evidence of impairment includes observable data that comes to the attention of the Foundation, including but not limited to the following events: significant financial difficulty of the issuer; a breach of contract, such as a default or delinquency in interest or principal payments; or bankruptcy or other financial reorganization proceedings.

When there is an indication of impairment, the Foundation determines whether a significant adverse change has occurred during the period in the expected timing or amount of future cash flows from the financial asset.

c) MEASUREMENT UNCERTAINTY

When preparing financial statements according to Canadian accounting standards for not-for-profit organizations, the Foundation makes estimates and assumptions relating to reported amounts of revenue and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities.

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the Foundation may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions.

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

d) **EXTERNALLY AND INTERNALLY RESTRICTED FUNDS**

The Endowment Fund includes contributions from donors' and unused flow through donations and grants. The organization uses income derived from endowment investments, to provide grants as determined by the Board. See Note 4.

The General Endowment Fund was established to provide for general support grants as determined by the Foundation's board.

The Art Stabilization Manitoba Fund was established in 2011 for the purpose of funding the Community Arts Council. Annual income, net of an administrative expense, is available to distribute grants based upon council's request with prescribed terms and conditions as per the agreement.

The Chrysalis Fund was established in 2009 in cooperation with The Winnipeg Foundation through a funding agreement under its "Giving Circle" policy. Investment income and gains and losses on these invested gifts are retained within this endowment fund until allocated to grant making activities based upon recommendations from The Chrysalis Fund board.

Designated Family Funds were established and augmented by individuals or families in order to support grants to preferred charities as determined by the designated families.

The Mennonite Heritage Village Fund was established in 2018 for the purpose of funding local heritage organizations under the Manitoba Heritage Trust program, initially during the 3 year period ending March 2021. Annual income, net of administrative expenses, will be distributed to the Mennonite Heritage Village (Canada) Inc. under the prescribed terms and conditions as per the agreement.

The Steinbach Multiplex Fund was established in 2018 to support a future multiplex project in the City of Steinbach.

The Affiliate Fund was created in 2018, with an initial contribution of \$10,000 from The Winnipeg Foundation, for the purpose of annual grant making to assist in the operational costs of the Foundation. The Winnipeg Foundation will augment this endowment each year with an amount equivalent to 50% of the administration fee paid by the Foundation, to a maximum of \$10,000 per year. A requirement of this agreement is that the Foundation must maintain at least 85% of their assets with The Winnipeg Foundation.

e) **CURRENT GRANT COMMITMENTS**

Board approved commitments for grants from current funds, which are not disbursed by December 31 are shown as a current liability.

3. **RESTRICTED CASH**

Restricted cash consists of the Foundation's 2020 spending policy allocation from The Winnipeg Foundation received before year-end. The cash is to be used solely for the purpose of funding the Foundation's 2020 grant requests.

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

4. FUNDS MANAGED BY THE WINNIPEG FOUNDATION

As at December 31, the Foundation's investments are as follows:

	2019	2018
	\$	\$
The Winnipeg Foundation	<u>1,038,425</u>	<u>941,653</u>

In 2010, the "Community Foundation Managed Fund" was established within The Winnipeg Foundation to hold all of the Foundation's endowment funds.

Most endowment funds, which form the Foundation's "Consolidated Trust Fund", are established for gifts which are designated to remain under the Foundation's management in perpetuity. Certain endowment funds, also designated to remain under the Foundation's management in perpetuity, are operated outside of the Consolidated Trust Fund, in other trust funds, as a result of specific agreements with donors or their representatives.

Undesignated family funds and other undesignated endowment will be included in the Foundation's Consolidated Trust Fund, whereas The Chrysalis Fund, all designated family funds and the Art Stabilization Manitoba Fund were included in the Foundation's other trust funds.

In 2018, the Foundation started to assess a 1% administration fee on all funds, except the Mennonite Heritage Village Fund which has an administration fee of 0.5%

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

5. FINANCIAL INSTRUMENTS

The Foundation's is exposed to different types of risks in the normal course of its operations, including credit risk and market risk. The Foundation's objective in risk management is to optimize the risk return trade-off, within set limits, by applying integrated risk management and control strategies, policies and procedures throughout the Foundation's activities.

The Foundation's financial instruments consist of cash, accounts receivable, investments, and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant credit, interest rate, liquidity, or market (other price) risks arising from these financial instruments. Market risks result from changes in interest rates, exchange rates of foreign currencies and market prices of financial instruments.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. The carrying amount of the financial assets represents the maximum credit exposure. The Foundation's exposure to credit risk consists principally of cash with reputable and major financial institutions. The investments include investments issued by high-credit quality financial institutions. Management considers the risk of non-performance of these instruments to be remote.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market interest rates. The Foundation has limited its interest rate risk as its investments are in diversified portfolios through The Winnipeg Foundation.

Liquidity risk

Liquidity risk is the risk that the Foundation will encounter difficulty in meeting its obligations associated with financial liabilities. The Foundation is not exposed to significant liquidity risk as it maintains sufficient cash in short-term investments and on hand.

Market risk

The Organization is exposed to market risk as the investments in publicly traded securities are subject to fluctuations due to price changes on the market. The prices can also be affected by changes in interest rates and foreign currency exchange rates.

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

6. RESTRICTED FUNDS

Changes in restricted funds for the year are as follows:

	Art Stabilization Manitoba Fund	The Chrysalis Fund	Designated Family Funds	Other Endowment Funds*	Affiliate Fund
Balance, beginning of year	11,917	178,944	75,641	410,877	10,790
New gifts	-	19,565	1,000	730	2,575
Grants - The Winnipeg Foundation / Province of Manitoba	-	-	-	1,751	-
Net change in unrealized gains (losses)	1,133	16,859	7,172	39,085	-
Investment income	787	11,969	4,978	27,223	1,766
Administration fees paid	(243)	(3,751)	(1,540)	(8,428)	(71)
Income allocation	(370)	(6,506)	(2,295)	(12,550)	-
Balance, end of year	13,224	217,080	84,956	458,688	15,060

	Mennonite Heritage Village Fund	Steinbach Multiplex Fund	2019	2018
Balance, beginning of year	3,484	250,000	\$ 941,653	\$ 715,362
New gifts	-	-	23,870	270,978
Grants - The Winnipeg Foundation / Province of Manitoba	15,841	-	17,592	13,590
Net change in unrealized gains (losses)	1,137	11,837	77,223	(62,261)
Investment income	1,101	13,751	61,575	46,998
Administration fees paid	(274)	(7,058)	(21,365)	(13,329)
Income allocation	(113)	-	(21,834)	(29,685)
Balance, end of year	21,176	268,530	1,078,714	941,653

* includes a contribution from the Thomas Sill Foundation of \$100,000

THE STEINBACH COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019

7. CASH FLOW STATEMENT

	<u>2019</u>	<u>2018</u>
	\$	\$
Net changes in non-cash working capital affecting operations		
Accounts receivable	6,423	(8,423)
Accounts payable and accrued liabilities	-	100
	<u>6,423</u>	<u>(8,323)</u>

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REID & MILLER

CHARTERED PROFESSIONAL ACCOUNTANTS INC