

THE FREDERICTON COMMUNITY FOUNDATION INC.

FINANCIAL STATEMENTS

JUNE 30, 2016

THE FREDERICTON COMMUNITY FOUNDATION INC.

TABLE OF CONTENTS

JUNE 30, 2016

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF OPERATIONS AND FUND BALANCES	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5 - 17

Shannon & Buffett, LLP

Chartered Professional Accountants

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September 15, 2016

INDEPENDENT AUDITORS' REPORT

To The Board of Directors of The Fredericton Community Foundation Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Fredericton Community Foundation Inc., which comprise the statement of financial position as at June 30, 2016, and the statements of operations and fund balances and cash flows for the year then ended.

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 to the financial statements, 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.

Auditor's Responsibility

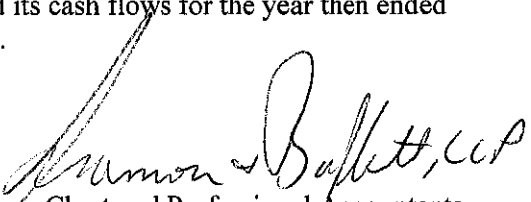
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan to perform the audit to obtain reasonable assurance 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 auditor considers 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 Fredericton Community Foundation Inc. as at June 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.


Chartered Professional Accountants

THE FREDERICTON COMMUNITY FOUNDATION INC.

STATEMENT OF FINANCIAL POSITION - JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Cash	\$ 219,966	\$ 169,281
Investments (note 3)	14,913,376	14,290,903
Accounts receivable	10,359	14,309
Life insurance (note 4)	<u>126,896</u>	<u>123,169</u>
	<u>\$15,270,597</u>	<u>\$14,597,662</u>
<u>LIABILITIES AND FUNDS</u>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 13,304	\$ 11,350
Managed funds (note 5)	<u>2,492,272</u>	<u>2,578,220</u>
	<u>2,505,576</u>	<u>2,589,570</u>
Foundation Funds:		
Community funds (note 6)	3,798,674	3,881,922
Designated funds (note 7)	<u>8,966,347</u>	<u>8,126,170</u>
	<u>12,765,021</u>	<u>12,008,092</u>
	<u>\$15,270,597</u>	<u>\$14,597,662</u>

On Behalf of the Board:

Director _____

Director _____

THE FREDERICTON COMMUNITY FOUNDATION INC.

STATEMENT OF OPERATIONS AND FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Community</u>	<u>Designated</u>	<u>2016 Total</u>	<u>2015 Total</u>
Contributions	\$ 273,250	\$ 956,149	\$ 1,229,399	\$ 1,274,086
Interest and dividends	130,903	297,483	428,386	342,354
Realized capital gains	104,184	236,468	340,652	457,196
Unrealized capital gains and (losses)	(120,503)	(252,867)	(373,370)	(103,571)
Other income (note 10)	102,245	-	102,245	97,281
Grants (note 8)	(405,797)	(273,555)	(679,352)	(360,096)
Expenses (note 9)	(106,126)	(119,503)	(225,629)	(198,489)
Investment management fees	(20,045)	(45,357)	(65,402)	(59,475)
Transfers	<u>(41,359)</u>	<u>41,359</u>	<u>-</u>	<u>-</u>
Change in fund balances	(83,248)	840,177	756,929	1,449,286
Fund balance, beginning of year	<u>3,881,922</u>	<u>8,126,170</u>	<u>12,008,092</u>	<u>10,558,806</u>
Fund balance, end of year	<u>\$ 3,798,674</u>	<u>\$ 8,966,347</u>	<u>\$12,765,021</u>	<u>\$12,008,092</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CASH GENERATED FROM (USED IN):		
OPERATING ACTIVITIES:		
Change in fund balances	\$ 756,929	\$ 1,449,286
Changes in:		
- Accounts receivable	3,950	6,224
- Accounts payable and accrued liabilities	1,954	(10,308)
- Deferred revenue	<u>-</u>	<u>(2,850)</u>
	<u>762,833</u>	<u>1,442,352</u>
FINANCING AND INVESTING ACTIVITIES:		
Increase in investments (net)	(622,473)	(1,388,831)
Increase in cash surrender portion of life insurance policies	(3,727)	(2,316)
Decrease (increase) in managed funds	<u>(85,948)</u>	<u>900</u>
	<u>(712,148)</u>	<u>(1,390,247)</u>
INCREASE IN CASH, for the year	50,685	52,105
CASH, beginning of year	<u>169,281</u>	<u>117,176</u>
CASH, end of year	\$ <u>219,966</u>	\$ <u>169,281</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

1. The Organization:

The Fredericton Community Foundation Inc. (the "Foundation") is a Public Foundation and registered charity founded in 1956 for the purposes of promoting educational advancement and scientific or medical research for the increase of human knowledge and the alleviation of human suffering; to better the lot of underprivileged or delinquent persons; to provide care for needy men, women and children, and in particular sick, aged, destitute and helpless; and to provide for such other charitable purposes as may the discretion of the Board appear to contribute to the mental, moral, cultural, and physical or other improvement of the inhabitants of the City of Fredericton and surrounding areas.

The Mission of the Foundation is "to enhance and strengthen the quality of life of all citizens in the Greater Fredericton Region through ambitious and meaningful grantmaking. The Foundation proactively engages in community leadership, and the development and stewardship of new funds."

Foundation Funds -

Foundation funds are normally maintained in perpetuity. Foundation funds consist of:

Community Funds -

These are permanent endowment funds for which donors grant discretion to the Foundation consistent with the objectives of the Foundation.

Donor-Advised Fund -

Donors have ongoing participation in the selection of charities that will benefit from their gift.

Field of Interest Fund -

Donors identify an area of interest to which they would like to target their support.

Flow-Through Fund -

A fund where the gift is not intended to be held in perpetuity but rather to be distributed on a pre-planned basis.

Designated Fund -

Donors have the opportunity to specify, at the time the fund is established, which particular charities they would like to support in perpetuity.

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

1. The Organization (continued):

Foundation Funds (continued) -

Managed Funds -

Managed funds, owned by other charitable organizations and administered by the Foundation, are commingled with Foundation assets.

2. Significant accounting policies:

These financial statements are prepared in accordance with Part III of the CICA Handbook - Accounting Standards for Not-For-Profit-Organizations and include the following significant accounting policies:

(a) Financial instruments -

The Foundation initially records all financial assets and liabilities including investments at fair value in accordance with section 3856.07 of the CICA Handbook. The Foundation has elected that all financial assets and liabilities will be subsequently measured at fair value at each reporting period. The Foundation's investments in GIC's, bonds and equities are recorded at quoted market value as provided by RBC Dominion Securities Inc. Interest and dividends, realized and unrealized capital gains and losses and investment management fees are included in income in the statement of operations and fund balances for the year.

The Foundation's receivables, payables and accruals, are carried at amortized cost which approximates fair market value due to their short term to maturity.

(b) Use of estimates -

In preparing the Foundation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(c) Cash and cash equivalents -

Current year cash and cash equivalents include cash on hand. Cash held by investment managers is included in investment and are excluded from Cash and cash equivalents for the purposes of the statement of cash-flows.

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

2. Significant accounting policies (continued):

(d) Foreign currency translation -

Investments denominated in foreign currencies are translated to Canadian dollars at the exchange rate in effect on the date of the statement of financial position.

(e) Contributions -

The Foundation follows the restricted fund method of accounting for permanent endowment fund contributions. Contributions are recognized when the amount can be reasonably estimated and collection is assured.

3. Investments:

	<u>2016</u>	<u>%</u>	<u>2015</u>	<u>%</u>
Cash, cash equivalents and accrued interest	\$ <u>1,155,706</u>	<u>7.7</u>	\$ <u>1,124,843</u>	<u>7.9</u>
Fixed income	<u>5,493,194</u>	<u>36.8</u>	<u>4,908,019</u>	<u>34.4</u>
Equities:				
Canada	4,587,351	30.8	4,575,206	32.0
United States	2,071,169	13.9	2,019,248	14.1
International	<u>1,605,956</u>	<u>10.8</u>	<u>1,663,587</u>	<u>11.6</u>
	<u>8,264,476</u>	<u>55.5</u>	<u>8,258,041</u>	<u>57.7</u>
	<u>\$14,913,376</u>	<u>100</u>	<u>\$14,290,903</u>	<u>100</u>

4. Life insurance:

The Foundation is the beneficiary and owner named under whole life insurance policies as follows:

	<u>Face Value</u>	<u>Cash Surrender Value</u> <u>2016</u>	<u>2015</u>
Whole life policies	\$ <u>225,995</u>	\$ <u>126,896</u>	\$ <u>123,169</u>

The cash surrender value is recorded as an asset. As the realizable amount in excess of the cash surrender value is not certain, the Foundation will record the benefits when the proceeds are certain.

One of the Whole life policies included above also has a term addition to the policy. The face value of the term portion is not disclosed.

In addition, the Foundation is the owner and beneficiary of a term policy with a face value of \$500,000.

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

5. Managed Funds:

	Fredericton Association for Community Living	B. Oreto Needy Kids Program	United Way Forever Fund	Fredericton SPCA	Rotary Club of Fredericton	Literacy Coalition	Nature Trust of NB	New Brunswick Association for Community Living	2016	2015
Contributions	\$ -	\$ -	\$ 33,665	\$ -	\$ -	\$ 9,609	\$ -	\$ -	\$ 43,274	\$ 52,797
Interest and dividends	9,842	6,952	41,761	1,589	2,677	11,529	12,640	1,018	88,008	82,210
Realized capital gains	7,726	5,519	33,010	1,261	2,126	9,190	10,037	812	69,681	110,092
Unrealized capital gains and (losses)	(9,175)	(6,301)	(37,159)	(1,440)	(2,425)	(10,344)	(11,453)	(914)	(79,211)	(26,870)
Administrative fees	(1,966)	(1,386)	(8,317)	(317)	(534)	(2,296)	(2,520)	(203)	(17,539)	(17,992)
Investment management fees	(1,509)	(1,064)	(6,378)	(243)	(410)	(1,763)	(1,934)	(156)	(13,457)	(14,278)
Withdrawals	(60,000)	(11,112)	(44,700)	(2,545)	(3,939)	(35,000)	(19,407)	-	(176,703)	(185,059)
Changes during the year	(55,082)	(7,392)	11,882	(1,695)	(2,505)	(19,075)	(12,637)	557	(85,947)	900
Balance, beginning of year	312,112	204,342	1,206,936	46,702	78,522	329,370	371,140	29,095	2,578,219	2,577,320
Balance, end of year	\$ 257,030	\$ 196,950	\$ 1,218,818	\$ 45,007	\$ 76,017	\$ 310,295	\$ 358,503	\$ 29,652	\$ 2,492,272	\$ 2,578,220

The Foundation allocates income to new funds in the first quarter following their receipt; therefore funds received in the fourth quarter of the final year will not have any income allocated to them as at year end.

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Shannon & Buffett, LLP
Chartered Professional Accountants

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

6. Community Funds:

The capital of the Community Funds is comprised of unrestricted donations and earnings. Grants from this fund are distributed at the discretion of the Foundation Board.

	<u>2016</u>	<u>2015</u>
Community Fund	\$ 3,055,510	\$ 3,166,986
Named Funds:		
Perley and Phyllis Estey Fund	100,461	99,277
Dr. Donald Morgan Memorial Fund	33,420	32,038
J.T. Clark Family Foundation Fund	170,113	168,108
David Cornish Memorial Fund	43,426	42,914
Frank and Mary Morrison Memorial Fund	33,561	32,077
Kileel Family Fund	9,769	9,654
Emerging Fredericton Green Fund	3,581	3,539
Richard and Margie Clark Family Fund	34,486	31,873
Don and Yvonne Crawford Fund	14,092	13,926
Emerging Ginger Design Fund	4,014	-
Margaret, Reg and Nancy Gilbert Fund	68,369	52,606
John L. Bird Memorial Fund	14,224	14,056
John and Pam Clark Fund	18,525	16,904
G. Bert Edney Memorial Fund	14,202	14,035
Board Legacy Fund	123,964	116,800
Madeline Holmes Fund	56,457	55,792
Flow Through Funds	<u>500</u>	<u>11,337</u>
	<u>\$ 3,798,674</u>	<u>\$ 3,881,922</u>

The Foundation allocates income to specific newly Named Funds in the first quarter following their classification as a Named Fund. Therefore certain funds will not have any income specifically allocated to them as at year end.

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

7. Designated Funds:

The capital of the Designated Funds is comprised of restricted donations and earnings. Grants from these funds are distributed based on directions provided at the time the fund is established.

	<u>2016</u>	<u>2015</u>
Marjorie and Ted Atkinson Music Fund	\$ 15,188	\$ 15,586
Science East Science Centre	10,250	-
Mrs. W.G. Clark Fund	22,749	23,406
Ben and Faye Medjuck Fund	11,859	12,201
Estate of Ottis Logue Fund	685,292	697,984
Mrs. Pearl Colwell Fund	11,644	11,979
Alden R. Clark – Home Plate Fund	16,063	16,526
T. Washburn Memorial Scholarship	421,494	427,827
John A.G. Page Fund	22,410	23,056
Estate of Frank F. Creighton Fund	518,401	533,357
Duffie – Crowell Tapestry Fund	327,914	337,374
Crowell Medically Disabled Fund	97,214	100,018
McKnight Memorial Fund	11,646	11,982
Fredericton SPCA Fund	119,561	122,957
Brigadier A.C. Ross Trust Fund	26,249	27,005
IODE A.R. Clark Scholarships Fund	58,172	59,849
John and Ethlewyn McKnight Fund	11,644	11,979
W. Hedley Wilson Estate Fund	29,102	29,942
Friends of Transition House Fund	58,161	59,839
Marianne Limpert Scholarship Fund	25,596	25,806
Bill McCauley Memorial Music Scholarship Fund	45,677	46,995
Reg Wheaton Memorial Fund	61,979	62,679
M.A. Crowell Nursing Scholarship Fund	47,195	48,555
Timmy Munn Scholarship Fund	49,831	51,287
Timmy Munn Minor Hockey Fund	50,006	51,448
Fredericton Playhouse Endowment Fund	55,837	57,448
Canadian Diabetes Association Fund	55,837	57,448
M.A. Crowell Children's Education Fund	83,439	85,844
Meighen Administration Fund	198,359	204,081
Philip O'Leary Trust Fund	31,931	32,852
George and Ellen MacGillivray Trust Fund	163,205	167,914
Council of the Arts Fredericton Fund	28,827	33,500
Provincial Artisans Fund	522,902	535,647
Nancy Gwen Hicks Memorial Fund	63,381	65,251
Peter Adams Fund	26,449	23,945
Chamber of Commerce Scholarship Fund	28,845	26,781
Simmonds Family Fund	<u>10,827</u>	<u>10,350</u>
<i>Subtotal</i>	<u>4,025,136</u>	<u>4,110,698</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

7. Designated Funds (continued):

	<u>2016</u>	<u>2015</u>
<i>Balance forward</i>	\$ 4,025,136	\$ 4,110,698
Bliss McDade Fund	34,112	31,832
Joslin Scholarship Fund	169,680	173,302
Susan Watson Fredericton SPCA Fund	56,805	58,443
Brian Jones Fund	11,787	11,648
WAP-MAP Fund	100,381	76,842
Emerging Khushaim Fund	1,397	1,113
Hatheway Family Fund	30,483	25,048
Emerging Rachelle Colter Fund	10,589	5,127
Earl and Sandy Brewer Scholarship Fund	73,038	102,549
CT Simmons Youth Athletic Fund	10,000	-
Rosemary's Youth Fund	293,457	290,000
Rosemary's SPCA Fund	303,577	300,000
Rosemary's Bursary Fund	354,173	350,000
Rosemary's Place Fund	203,100	-
Fonds Communautaire sainte anne	10,189	-
Jackson Wright Youth Fund	55,316	-
MacPherson Family Fund	103,410	-
Listuguj Community Fund	23,861	-
K & F Machin Fund for Animals	521,610	-
Emerging G & H Colter Fund	1,069	-
FCF Administration Fund	233,772	204,084
Donor Advised Funds:		
Mais Reynolds Fund	55,031	56,618
Mike Fitzgerald Memorial Fund	91,312	84,715
Rosemary's Legacy Fund	488,720	499,959
Fred & Gladys Memorial Fund	27,812	27,484
Ralph and Janet Shears Humanitarian Fund	331,779	340,833
Field of Interest Funds:		
Lillian E. Covey Music Fund	529,366	544,453
Blanchard Family Poverty Reduction Fund	53,597	55,026
Creed Beattie Fund	134,841	138,709
Jeff McGuigan Memorial Fund for Mental Health	103,558	99,084
Rosemary's Pantry	512,190	523,933
Fredkid Fund	11,199	14,670
	<u>\$ 8,966,347</u>	<u>\$ 8,126,170</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

8. Grants made from Funds:

	<u>Amount</u>
Grants from Community Funds:	
Ability New Brunswick	\$ 220
Alzheimer Society of New Brunswick	50
Autism Connections Fredericton	2,500
Beaverbrook Art Gallery	3,000
Best Buddies Canada	270
Big Brothers Big Sisters	2,400
Camp Kerry Society	3,000
Canadian Council of Provincial and Territorial Sport Federations Inc. - Elm City Wheelchair Sports Club	3,000
Canadian Cancer Society	2,500
Canadian Deafblind Association	3,000
Capital Region Mental Health and Addictions Association	15,000
Cat Rescue Maritimes (CARMA) - Fredericton Branch	3,000
Christ Church Cathedral - Outreach Program	3,000
Chipman Youth Centre	2,000
CISV Fredericton Chapter	1,000
CNIB	3,500
Conervation Council of NB	2,000
Ducks Unlimited Canada	3,000
Duke of Edinburgh's Award	1,790
East and Central African Association for Indigenous Rights	2,354
Easter Seals NB - Camp Rotary	1,260
Family Enrichment and Counselling	3,730
Fredericton Homeless Shelter	5,870
Fredericton Residential Youth Services	1,872
Fredericton SPCA	3,000
Fredericton Sexual Assault Crisis Centre	18,460
Frontier College	3,000
Habitat for Humanity	3,000
Heart & Stroke Foundation of NB	76
John Wood Foundation	10,000
Kidney Foundation of Canada, Atlantic Branch	3,500
Kiwanis Club of Saint John	2,600
Minister of Finance - Connaught Street School	1,200
Minister of Finance - Ecole Sainte Anne	100
Minister of Finance - Fredericton High School	100
Minister of Finance - Gesner Street Elementary School	3,000
Minister of Finance - Leo Hayes High School	100
Minister of Finance - Nashwaaksis Memorial School	1,500
<i>Subtotal</i>	<u>118,952</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

8. Grants made from Funds (continued):

	<u>Amount</u>
Grants from Community Funds (continued):	
<i>Balance forward</i>	118,952
Minister of Finance - Public Health Services	15,000
Multiple Sclerosis Society of Canada, Atlantic Division	3,000
Nature Trust of New Brunswick	1,500
New Maryland Home & School Association	3,220
The New Brunswick Community College Foundation	1,000
Partners for Youth	3,000
Roots of Empathy	2,000
Solo Chicken Productions Inc.	3,000
St. Thomas University	1,000
The Fredericton Playhouse	4,000
University of New Brunswick	1,000
University of New Brunswick - Fredericton Community Collaboration Initiative	2,000
University of New Brunswick Worlds Unbound	2,500
Wilmot United Church - Outreach Committee	3,700
York Sunbury Historical Society - Fredericton Region Museum	<u>1,000</u>
	<u>165,872</u>
Flow Through Grants:	
Fredericton YMCA	500
John Howard Society	93,045
Minister of Finance - Connaught Street School Playground Improvement	<u>146,380</u>
	<u>239,925</u>
Total Grants from Community Funds	405,797
Total Grants from Designated Funds	<u>273,555</u>
Total Grants from Community and Designated Funds	<u>\$ 679,352</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

9. Expenses:

	<u>2016</u>	<u>2015</u>
Administration	\$ 147,750	\$ 127,218
Advertising and promotion	3,481	4,015
Education and training	-	125
Miscellaneous	1,750	3,162
Office	15,393	10,447
Professional fees	10,105	7,881
Rent	10,320	9,917
National and local meetings	6,389	12,217
Life insurance premiums	15,920	10,946
Liability and office insurance	3,275	2,581
Interest and service charges	3,030	1,902
Planned giving	1,556	524
Membership dues	4,087	3,344
Other special events	2,573	1,261
Vital Signs	<u>-</u>	<u>2,949</u>
Total expenses	<u>\$ 225,629</u>	<u>\$ 198,489</u>
Expenses are allocated as follows:		
Community Fund	\$ 106,126	\$ 110,241
Designated Fund	<u>119,503</u>	<u>88,248</u>
	<u>\$ 225,629</u>	<u>\$ 198,489</u>

Expenses are allocated pro-rata to individual designated funds based a budgeted portion of the overall expense amount.

10. Other income:

	<u>2016</u>	<u>2015</u>
Changes in cash surrender value of life insurance	\$ 3,727	\$ 2,315
Other revenue	17,018	13,133
Administrative fee recoveries, managed funds	17,539	17,992
Administrative funds grant	10,000	10,209
Vital Signs Grant	<u>-</u>	<u>2,500</u>
	<u>48,284</u>	<u>46,149</u>
Philanthropy in Action dinner:		
Revenues	83,022	80,892
Expenses	<u>29,061</u>	<u>29,760</u>
	<u>53,961</u>	<u>51,132</u>
	<u>\$ 102,245</u>	<u>\$ 97,281</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

10. Other income (continued):

An amount of \$10,000 from the Philanthropy in Action dinner was used to pay current year administration expenses; \$10,000 was paid as grant to the John Wood Foundation and balance of \$34,086 was transferred to the designated fund to offset administration costs in future years.

11. Financial instruments:

The Foundation has established a comprehensive Investment Policy Statement (IPS) for the management of its investments. The IPS outlines roles and responsibilities for the Board of Directors, the Finance Committee, the Investment Manager and the Foundations Management with respect to the management of its investments. All of the Foundation's investments are managed by independent, external investment managers. The compliance of these managers with the investment policies is monitored on a regular basis.

The Foundation's investment strategy is designed to maintain an investment portfolio of high quality financial assets. The Foundation manages investment risk by diversifying its portfolio among asset classes, industry sectors and individual securities. The IPS provides for specific target allocations among asset classes. The portfolio is also diversified geographically.

The Foundation is exposed to the following risks through its financial instruments:

Credit risk -

Credit risk is the risk that a party may default on their financial obligations to the Foundation, or if there is a concentration of transactions carried out with the same party or a concentration of financial obligations which have similar economic characteristics that could be similarly affected by changes in economic conditions, such that the Foundation could incur a financial loss. The Foundation's primary credit risk is on its cash, short term investments and its fixed income portfolio. This risk is managed by investing in high quality bank GICs, and government and high quality corporate bonds and limiting exposure to any one issuer or issue.

Fixed income investments includes GIC's with a maturity date exceeding one year. GIC's and similar investments with a term of less than one year are included in cash.

The Foundation has credit risk exposure to the following assets as at June 30, 2016:

	<u>2016</u>	<u>2015</u>
Cash	\$ 219,966	\$ 169,281
Fixed income investments	6,648,900	6,032,862
Accounts receivable	<u>10,359</u>	<u>14,309</u>
	<u>\$ 6,879,225</u>	<u>\$ 6,216,452</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2016

11. Financial instruments (continued):

Liquidity risk -

Liquidity risk is the risk that the Foundation will not be able to meet a demand for cash or fund its obligations as they come due.

The Foundation meets its liquidity requirements by preparing an annual budget for operations, anticipating investing and financing and grant activities and holding assets that can be readily converted into cash. The Foundation holds fixed income investments with various maturities.

Market risk -

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

Currency risk -

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The Foundation holds significant investments in non Canadian dollars and is exposed to fluctuations in of those currencies against the Canadian dollar. The Foundation manages its foreign exchange risk by having minimum and maximum foreign investment exposure as per its IPS. The Foundation does not use hedging. As at June 30, 2016 the following assets are held in foreign currencies:

	<u>2016</u>	<u>2015</u>
Cash in investments	\$ 35,520	\$ 26,447
US equities	2,071,169	2,019,248
International equities	<u>1,605,956</u>	<u>1,663,587</u>
	<u>\$ 3,712,645</u>	<u>\$ 3,709,282</u>

Interest rate risk -

Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with instruments will fluctuate due to changes in market interest rates.

The exposure of the Foundation to interest rate risk arises from its interest bearing assets, including cash, GIC's and bonds. As at June 30, 2016 the Foundation is exposed to interest rate risk on the following assets:

	<u>2016</u>	<u>2015</u>
Cash	\$ 219,966	\$ 169,281
Fixed income	<u>6,648,900</u>	<u>6,032,862</u>
	<u>\$ 6,868,866</u>	<u>\$ 6,202,143</u>

THE FREDERICTON COMMUNITY FOUNDATION INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

11. Financial instruments (continued):

Interest rate risk (continued) -

The Foundation manages its exposure to the interest rate risk on its cash and its interest bearing investments by diversifying its interest-bearing instruments by maturity and issuer.

Other price risk -

Other price risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from currency risks or interest risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting similar instruments traded in the market. All of the Foundation's investments are subject to short and long term market fluctuations. The Foundation manages and monitors its investments in accordance with its comprehensive investment policy in order to manage risk and achieve an acceptable rate of return while protecting capital.