PHILANTHROPIC FOUNDATIONS CANADA

FONDATIONS PHILANTHROPIQUES CANADA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

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FINANCIAL STATEMENTS

DECEMBER 31, 2016

SUMMARY

Mongiat-Bernucci

S.E.N.C.R.L. / LLP, Société de CPA / Partnership of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Members of
PHILANTHROPIC FOUNDATIONS CANADA
FONDATIONS PHILANTHROPIQUES CANADA

We have audited the accompanying financial statements of Philanthropic Foundations Canada / Fondations Philanthropiques Canada, which comprise the statement of financial position as at December 31, 2016, and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and 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.

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 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 the auditor's 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.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Philanthropic Foundations Canada / Fondations Philanthropiques Canada as at December 31, 2016, 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.

Montreal, Quebec
March 16, 2017

[1] By Michel Bernucci, CPA auditor, CA

PHILANTHROPIC FOUNDATIONS CANADA
FONDATIONS PHILANTHROPIQUES CANADA

STATEMENT OF REVENUE AND EXPENDITURES

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Opportunity Reserve Fund	Emergency Fund	2016	2015
Revenue					
Membership dues	$ 699,473	$ -	$ -	**$ 699,473**	$ 650,393
Special grants	159,600	-	-	**159,600**	78,000
Program fees	10,380	-	-	**10,380**	22,558
Donations for programming and other	39,561	-	-	**39,561**	15,841
Interest	4,286	2,657	4,511	**11,454**	9,254
Rental income	3,200	-	-	**3,200**	-
Symposium fees	-	-	-	**-**	48,680
Symposium sponsorships	-	-	-	**-**	60,000
Conference fees	147,013	-	-	**147,013**	-
Conference sponsorships	137,000	-	-	**137,000**	-
	1,200,513	2,657	4,511	**1,207,681**	884,726
Expenditures					
Salaries and fringe benefits	482,510	-	-	**482,510**	378,866
Conference expenses	252,975	-	-	**252,975**	-
Professional fees	143,056	33,936	-	**176,992**	131,825
Grants and contributions	53,500	-	-	**53,500**	52,000
Office occupancy	51,503	-	-	**51,503**	46,119
Travel and hospitality	34,591	-	-	**34,591**	27,863
Membership programs and development	28,807	-	-	**28,807**	30,004
Moving expenses	16,869	-	-	**16,869**	-
Translation services	16,664	-	-	**16,664**	24,775
Computer support	12,649	-	-	**12,649**	10,270
Board	11,442	-	-	**11,442**	9,271
Professional development	6,231	-	-	**6,231**	3,957
Telephone	4,947	-	-	**4,947**	6,161
Office supplies and stationery	3,517	-	-	**3,517**	9,690
Subscriptions	2,351	-	-	**2,351**	4,449
Financial services	2,342	-	-	**2,342**	2,102
Insurance	2,302	-	-	**2,302**	2,091
Miscellaneous	2,000	-	-	**2,000**	2,840
Postage and delivery	1,993	-	-	**1,993**	2,377
Amortization of capital assets	1,785	-	-	**1,785**	1,382
Publications	1,100	-	-	**1,100**	10,370
Symposium expenses	-	-	-	**-**	107,386
Communications	-	-	-	**-**	12,927
	1,133,134	33,936	-	**1,167,070**	876,725
Excess of revenue over expenditures	$ 67,379	$ (31,279)	$ 4,511	**$ 40,611**	$ 8,001

PHILANTHROPIC FOUNDATIONS CANADA
FONDATIONS PHILANTHROPIQUES CANADA

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Invested in Capital Assets	Opportunity Reserve Fund	Emergency Fund	2016	2015
BALANCE, BEGINNING OF YEAR	$ 40,032	$ 5,448	$ 282,340	$ 501,481	**$ 829,301**	$ 821,300
Excess (deficiency) of revenue over expenditures	69,164	(1,785)	(31,279)	4,511	**40,611**	8,001
Investment in capital assets	(1,901)	1,901	-	-	-	-
BALANCE, END OF YEAR	$ 107,295	$ 5,564	$ 251,061	$ 505,992	**$ 869,912**	$ 829,301

PHILANTHROPIC FOUNDATIONS CANADA
FONDATIONS PHILANTHROPIQUES CANADA

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Opportunity Reserve Fund	Emergency Fund	2016	2015
Assets					
Current assets					
Cash	$ 413,764	$ -	$ -	**$ 413,764**	$ 452,593
Term deposits and accrued interest (note 10)	150,049	270,089	500,164	**920,302**	771,789
Accounts receivable (note 3)	25,690	-	-	**25,690**	31,693
Prepaid expenses	7,027	-	-	**7,027**	19,974
Interfund balances (note 7)	13,200	(19,028)	5,828	**-**	-
	609,730	251,061	505,992	**1,366,783**	1,276,049
Capital assets (note 4)	5,564	-	-	**5,564**	5,448
	$ 615,294	$ 251,061	$ 505,992	**$ 1,372,347**	$ 1,281,497
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	$ 60,798	$ -	$ -	**$ 60,798**	$ 29,394
Deferred contributions (note 5)	326,589	-	-	**326,589**	303,965
Deferred donations	5,048	-	-	**5,048**	23,837
Deferred grants (note 6)	110,000	-	-	**110,000**	95,000
	502,435	-	-	**502,435**	452,196
Net assets					
Unrestricted	107,295	-	-	**107,295**	40,032
Invested in capital assets	5,564	-	-	**5,564**	5,448
Internally restricted	-	251,061	505,992	**757,053**	783,821
	112,859	251,061	505,992	**869,912**	829,301
	$ 615,294	$ 251,061	$ 505,992	**$ 1,372,347**	$ 1,281,497

Commitment (note 9)

APPROVED ON BEHALF OF THE BOARD,

______________________, Director

______________________, Director

PHILANTHROPIC FOUNDATIONS CANADA
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 40,611	$ 8,001
Non-cash items:		
Amortization of capital assets	1,785	1,382
Accrued interest	1,487	20
	3,272	1,402
	43,883	9,403
Net change in non-cash items related to operating activities (note 8)	69,189	125,452
	113,072	134,855
INVESTING ACTIVITIES		
Acquisition of capital assets	(1,901)	(3,568)
Term deposits	(150,000)	(260,473)
	(151,901)	(264,041)
DECREASE IN CASH	(38,829)	(129,186)
CASH, BEGINNING OF YEAR	452,593	581,779
CASH, END OF YEAR	$ 413,764	$ 452,593

1. STATUS

Philanthropic Foundations Canada / Fondations Philanthropiques Canada (the Association) was incorporated on August 18, 1999 under the Canada Corporations Act as a corporation without share capital. On August 19, 2013, the Association applied and obtained a Certificate of Continuance under the Canada Not-For-Profit Corporations Act. The membership-based Association was formed to encourage the growth and development of independent, effective and responsible foundations, and to foster a social and regulatory environment that encourages philanthropic contribution.

Effective January 1, 2003, the Association qualifies as a registered charity under the Income Tax Act (Canada) and , as such, is exempt from income tax.

2. SIGNIFICANT ACCOUNTING POLICIES

The Association applies the Canadian accounting standards for not-for-profit organizations in Part III of the CPA Canada Handbook - Accounting.

The Association follows the deferral method of accounting for contributions.

Financial instruments

Measurement of financial instruments

The Association initially measures its financial assets and financial liabilities at fair value, except for certain related party transactions that are measured at the carrying amount or exchange amount, as appropriate.

The Association subsequently measures all its financial assets and financial liabilities at cost or 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 of these financial instruments are recognized in the excess of revenue over expenditures in the period incurred.

Financial assets measured at amortized cost on a straight-line basis include cash, term deposits and accrued interest and accounts receivable.

Financial liabilities measured at amortized cost on a straight-line basis include accounts payable and accrued liabilities, deferred contributions, deferred donations and deferred grants.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Impairment

For financial assets measured at cost or amortized cost, the Association determines whether there are indications of possible impairment. When there is an indication of impairment, and the Association 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 the excess of revenue over expenditures. 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 the excess of revenue over expenditures.

Transaction costs

Transaction costs related to financial instruments that will be subsequently measured at fair value are recognized in the excess of revenue over expenditures in the period incurred. Transaction costs related to financial instruments subsequently measured at amortized cost are included in the original cost of the asset or liability and recognized in the excess of revenue over expenditures over the life of the instrument using the straight-line method.

Fund accounting

Revenues and expenditures related to memberships and programs are reported in the General Fund.

The Opportunity Reserve Fund reports the revenues and expenditures related to supporting capacity building needs and special projects of the Association.

The Emergency Fund is for the purpose of covering contingencies.

2. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Revenue recognition

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Membership dues are recognized as revenue proportionately over the fiscal year to which they relate.

Conference, symposium and program fees are recognized as revenue when the event is held.

Sponsorships and special grants are recognized when the related expenses are incurred.

Donations are recognized when received.

Interest is recognized when earned.

Cash and cash equivalents

The Association's policy is to present bank balances under cash and cash equivalents, including bank overdrafts when bank balances that fluctuate frequently from being positive to overdrawn.

Capital assets

Capital assets are accounted for at cost. Amortization is calculated on their respective estimated useful lives using the straight-line method over the following periods:

	Periods
Furniture and equipment	5 years
Computer equipment	3 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amounts of revenues and expenses for the periods covered. The main estimates relate to the impairment of financial assets and the useful life of capital assets. These estimates are reviewed periodically and adjustments are made to income as appropriate in the year they become known.

3. ACCOUNTS RECEIVABLE

	2016	2015
Government remittances	$ 20,470	$ 17,704
Accounts receivable	5,220	13,989
	$ 25,690	$ 31,693

4. CAPITAL ASSETS

	Cost	Accumulated amortization	2016 Net Book Value	2015 Net Book Value
Furniture and equipment	$ 21,469	$ 18,545	$ 2,924	$ 3,746
Computer equipment	39,745	37,105	2,640	1,702
	$ 61,214	$ 55,650	$ 5,564	$ 5,448

5. DEFERRED CONTRIBUTIONS

Deferred contributions received in the current period represent membership dues that are related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2016	2015
Balance, beginning of year	$ 303,965	$ 284,288
Less: amount recognized as revenue in the year	(301,465)	(284,288)
Add: amount received related to the following year	324,089	303,965
Balance, end of year	$ 326,589	$ 303,965

6. DEFERRED GRANTS

Deferred grants received represent the second instalment of a special three-year grant that will be applied toward *Communicating the Value and Role of the Philanthropic Foundation Sector to Canadians* as well as an amount received that will be applied toward a fellowship on philanthropy in 2017.

	2016	2015
Balance, beginning of year	$ 95,000	$ 23,000
Add: amount received during the year	110,000	95,000
Less: amount recognized as revenue in the year	(95,000)	(23,000)
Balance, end of year	$ 110,000	$ 95,000

7. INTERFUND TRANSFERS AND INTERNALLY RESTRICTED FUND BALANCES

The interfund balances reported at December 31, 2016 are non-interest bearing with no specified terms of repayment.

8. NET CHANGE IN NON-CASH ITEMS RELATED TO OPERATING ACTIVITIES

	2016	2015
Accounts receivable	$ 6,003	$ 1,937
Prepaid expenses	12,947	(3,342)
Accounts payable and accrued liabilities	31,404	11,343
Deferred contributions	22,624	19,677
Deferred grants	15,000	72,000
Deferred donations	(18,789)	23,837
	$ 69,189	$ 125,452

9. COMMITMENT

The commitment of the Association under the lease agreement aggregates to $313,317. The instalments over the next five years are the following:

2017	$ 68,360
2018	$ 68,360
2019	$ 68,360
2020	$ 68,360
2021	$ 39,877

10. FINANCIAL INSTRUMENTS

The Association is exposed to various risks through its financial instruments. The following analysis presents the Association's exposures to significant risk at the reporting date.

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 interest rates. The Association is exposed to interest rate risk on its fixed and floating interest rate financial instruments. Fixed interest rate instruments subject the Association to a fair value risk, since fair value fluctuates inversely to changes in market interest rates. Floating interest rate instruments subject the Association to related cash flow risk.

The Association manages its term deposit portfolio according to its cash needs and in such a way as to optimize interest income. The average interest rate on term deposits at year-end was 1% (0.85% in 2015) and their due dates are twelve months.

Credit risk

The Association is exposed to credit risk with respect to the accounts receivable and term deposits. The Association assesses, on a continuous basis, accounts receivable on the basis of amounts it is virtually certain to receive and the term deposits are invested with large financial institutions.

Liquidity risk

Liquidity risk is the risk of being unable to meet cash requirements or fund obligations as they become due. It stems from the possibility of a delay in realizing the fair value of financial instruments.

The Association manages its liquidity risk by constantly monitoring forecasted and actual cash flows and financial liability maturities, and by holding assets that can be readily converted into cash.

Accounts payable and accrued liabilities are generally repaid within 30 days.