

COMMUNITY FOUNDATION FOR KINGSTON & AREA
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AS AT DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Community Foundation for Kingston & Area

Report on the Financial Statements

We have audited the accompanying financial statements of Community Foundation for Kingston & Area, which comprise the statement of financial position as at December 31, 2017, and the statements of revenues and expenditures, and cash flows for the year ended December 31, 2017, 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 audits. We conducted our audits 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, Community Foundation for Kingston & Area derives revenues from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of Community Foundation for Kingston & Area and we were not able to determine whether, as at and for the years ended December 31, 2017 and December 31, 2016, any adjustments might be necessary to donations revenues, excess of revenues over expenditure, assets and fund balances.

WILKINSON & COMPANY LLP - CHARTERED ACCOUNTANTS

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Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above, the financial statements present fairly, in all material respects, the financial position of Community Foundation for Kingston & Area as at December 31, 2017, 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.

KINGSTON, Canada
April 24, 2018


Stukin & Company LLP

Chartered Professional Accountants
Licensed Public Accountants

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2017**

	Operating Fund	Restricted Funds for Charitable Distribution	Endowment Fund	2017 Total	2016 Total Restated Note 3
CURRENT	\$	\$	\$	\$	\$
Cash - Note 4	194,980		1,111,721	1,306,701	1,277,223
HST receivable	6,762			6,762	11,446
Prepaid expenses	7,985			7,985	
Investments - Note 5		4,577,194	15,246,585	19,823,779	15,786,117
Due from Restricted Funds for Charitable Distribution	62,476				
	272,203	4,577,194	16,358,306	21,145,227	17,074,786
CURRENT	LIABILITIES				
Accounts payable and accrued charges	17,332	62,476		17,332	25,830
Due to Operating Fund					
TRUST FUND LIABILITY - Note 7		174,052		174,052	164,870
	17,332	236,528		191,384	190,700
ENDOWMENT FUNDS	NET ASSETS				
Contributed capital			16,101,070	16,101,070	13,551,682
Contributed capital (Internally restricted)		2,484,453	257,236	2,57,236	257,236
Accumulated increase in capital				2,484,453	1,873,914
SPEND DOWN AND FLOW THROUGH FUNDS - Note 8					
Contributed capital		1,785,023		1,785,023	986,032
Contributed capital (Internally restricted)		25,000		25,000	25,000
Accumulated increase in capital		46,190		46,190	4,401
OPERATING FUNDS					
Operating fund	203,871			203,871	145,821
Internally restricted	51,000			51,000	40,000
	254,871	4,340,666	16,358,306	20,953,843	16,884,086
	272,203	4,577,194	16,358,306	21,145,227	17,074,786

APPROVED ON BEHALF OF THE BOARD


Director

Director

The accompanying notes form an integral part of these financial statements

COMMUNITY FOUNDATION FOR KINGSTON & AREA
STATEMENT OF REVENUE AND EXPENDITURES AND FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund		Restricted Funds for Charitable Distribution		Endowment Fund		Total
	2017	2016	2017	2016	2017	2016	
		Restated Note 3		Restated Note 3		Restated Note 3	Restated Note 3
	\$	\$	\$	\$	\$	\$	\$
REVENUE							
Donations	87,166	95,776	1,131,345	217,765	2,506,908	494,598	3,725,419
Fundraising events	7,670	7,420					7,670
Investment income	117,436	81,944	1,422,398	1,186,269			1,539,834
Administration fee	267,660	224,125					267,660
Miscellaneous	5,421	4,274	20,960	8,016			26,381
Vital Signs	8,600	13,500					8,600
	493,953	427,039	2,574,703	1,412,050	2,506,908	494,598	5,575,564
EXPENDITURES							
Administration and investment fee	222	54	284,142	232,024			284,364
Fundraising expenditures	5,630	8,295					5,630
Flow through grants and directed donations			258,250	142,510			258,250
Endowed and spend down grants and directed donations			571,302	672,808			571,302
Life insurance premiums - Note 10	36,475	38,975					36,475
Operating expenses - Schedule A	338,138	326,066					338,138
Vital signs	11,648	12,236					11,648
	392,113	385,626	1,113,694	1,047,342			1,505,807
EXCESS OF REVENUE OVER EXPENDITURES FOR YEAR	101,840	41,413	1,461,009	364,708	2,506,908	494,598	4,069,757
FUND BALANCES - BEGINNING OF YEAR - Note 3	185,821	180,548	2,889,347	2,520,180	13,808,918	13,333,543	16,884,086
TRANSFER TO TRUST FUND LIABILITY - Note 7				(904)		(50,000)	
INTERFUND TRANSFERS - Note 8	(32,790)	13,860	(9,690)	(19,637)	42,480	5,777	
TRANSFER TO INTERNALLY RESTRICTED FUNDS		(50,000)		25,000		25,000	
FUND BALANCES - END OF YEAR	254,871	185,821	4,340,666	2,889,347	16,358,306	13,808,918	20,953,843
							16,884,086

The accompanying notes form an integral part of these financial statements



COMMUNITY FOUNDATION FOR KINGSTON & AREA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Operating Fund	Restricted Funds for Charitable Distribution	Endowment Fund	2017 Total	2016 Total Restated Note 3
OPERATING ACTIVITIES					
Excess of revenues over expenditures for year	101,840	1,461,009	2,506,908	4,069,757	900,719
Transfer to trust fund liability		(9,690)	42,480		(50,904)
Interfund transfers	(32,790)				
	\$	\$	\$	\$	\$
Net change in non-cash working capital balance related to operations -	69,050	1,451,319	2,549,388	4,069,757	849,815
HST receivable	4,684			4,684	9,035
Prepaid expenses	(7,985)			(7,985)	8,414
Other accounts receivable		(5,000)		(8,498)	(28,971)
Accounts payable and accrued charges	(3,498)	(34,653)			
Due to (from) other funds	34,653	9,182		9,182	(638,030)
Trust fund liability					
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES	96,904	1,420,848	2,549,388	4,067,140	200,263
INVESTING ACTIVITIES					
(Increase) decrease in investments	40,000	(1,425,848)	(2,651,814)	(4,037,662)	(1,223,628)
CASH FLOWS PROVIDED FROM (USED IN) INVESTING ACTIVITIES	40,000	(1,425,848)	(2,651,814)	(4,037,662)	(1,223,628)
INCREASE (DECREASE) IN CASH AND EQUIVALENTS FOR YEAR	136,904	(5,000)	(102,426)	29,478	(1,023,365)
CASH AND EQUIVALENTS - BEGINNING OF YEAR	58,076	5,000	1,214,147	1,277,223	2,300,588
CASH AND EQUIVALENTS - END OF YEAR	194,980	NIL	1,111,721	1,306,701	1,277,223
REPRESENTED BY:					
CASH	194,980	NIL	1,111,721	1,306,701	1,277,223

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

1. ORGANIZATION AND NATURE OF FINANCIAL STATEMENTS

The Community Foundation for Kingston & Area (the "Foundation") was incorporated without share capital under the Canada Corporations Act on March 24, 1995. The Foundation pools charitable gifts, which are invested and the income earned on these funds is used to encourage community development in areas such as arts and culture, health and social services, education and environmental initiatives.

The Foundation is a registered charity and is classified as a public foundation under Subsection 149.1(1) of the *Income Tax Act (Canada)* ("the *Act*"). As such, the Foundation is exempt from income taxes and able to issue donation receipts for income tax purposes. In order to maintain its status as a public foundation registered under the *Act*, the Foundation must meet certain requirements within the *Act*. In the opinion of management, these requirements have been met.

In 2014 the Foundation applied for and received its Certificate of Continuance under the *Canada Not-for-profit Corporations Act* (Date of Continuance July 28, 2014).

2. ACCOUNTING POLICIES

Outlined below are those accounting policies adopted by the Foundation considered to be particularly significant:

(a) Basis of Accounting

These financial statements are prepared in accordance with Canadian Accounting Standards for Not-for-Profit organizations.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. ACCOUNTING POLICIES (Cont'd)

(b) Fund Accounting

The Foundation follows the restricted fund method for accounting for contributions. The Foundation ensures, as part of its fiduciary responsibilities, that all funds received with a restricted purpose are expended for that purpose.

For financial reporting purposes, the accounts have been classified into the following funds:

The Endowment Fund reports resources that are required to be maintained by the Foundation on a permanent basis.

The Restricted Funds for Charitable Distribution reports resources that are available to be used for purposes specified by the donor and do not form part of the Endowment Fund.

Included in Restricted Funds for Charitable Distribution are Spend-Down Funds and Flow-Through funds. Spend-Down funds are established by the donor to function similar to an endowment in that the principal is to be retained and invested. However, the entire principal and income will be spent over a period of time as provided for in the spending policy. Flow-Through funds are not intended to be held permanently, or for the funds to be invested. The Foundation will hold the capital of the Fund until direction is received by the donor.

The Operating Fund reports resources available for the Foundation's general operating activities. These activities include fund development, grant making, community leadership projects, and philanthropic services to the community. The general costs of supporting these activities are reported as expenditures in the Operating Fund.

(c) Accounting Estimates

The preparation of 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 assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include valuation of accounts receivables and investments, and the estimated useful life of capital assets. Actual results could differ from those estimates.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. ACCOUNTING POLICIES (Cont'd)

(d) Capital Assets

Capital assets are recorded at cost and amortized over their useful lives. Amortization based on the estimated useful life of the asset is calculated as follows:

Asset	Basis	Rate
Leasehold improvements	Straight-line	Over 5 years
Office equipment	Declining balance	20%
Computer equipment	Declining balance	30%
Software	Declining balance	30%

Capital grants or donations received for the purchase of capital assets are deferred and amortized on the same basis as the capital asset acquired.

In the year of acquisition, amortization is calculated on capital assets at half-rates.

(e) Investments

The investments of the Foundation are recorded at market values. Investment income includes dividends, interest, realized gains (losses) and the net change in unrealized gains (losses) for the year.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. ACCOUNTING POLICIES (Cont'd)

(f) Revenue Recognition

The Endowment Fund recognizes revenue from donor-restricted contributions. Investment income earned on assets invested in perpetuity in accordance with endowment agreements is included in Restricted Funds for Charitable Distribution.

Restricted Funds for Charitable Distribution recognize revenue from donor contributions and investment income earned on assets held for short-term or medium terms. Flow-Through Funds and Spend-Down Funds are included in Restricted Funds for Charitable Distribution and recognize donor-restricted purposes and time horizons for distribution to qualified grantees.

The Operating Fund recognizes revenue from restricted and unrestricted donor contributions, fundraising events, sponsorships, grants, administration fees and investment income earned on assets of the Operating Fund and the Operating Endowment Fund. Donations specifically earmarked for facilitating the Foundation's operations in the short term and administrative fees charged to all endowment and funds for charitable distribution, are also reported in the operating fund.

Contributions are recognized as revenue when received, except where amounts are received for specific longterm projects. In these cases, contributions are deferred and recorded as revenue when the related expenditures are recorded.

Investment income includes dividend and interest income and realized and unrealized investment gains and losses.

(g) Financial Instrument measurement

The Foundation initially measures its financial assets and financial liabilities at fair value. It subsequently measures all its financial assets and financial liabilities, with the exception of investments and trust fund liabilities, at amortized cost. Investments and trust fund liabilities continue to be measured at fair value.

The financial assets subsequently measured at amortized cost include cash, accounts receivables and prepaid expenses. The financial liabilities measured at amortized cost include accounts payable and accrued charges.

(h) Contributed services

Volunteers contribute a substantial number of hours each year to assist the Foundation in carrying out its activities. Because of the difficulty of determining the fair value, contributions of such services are not recognized in the financial statements.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

2. ACCOUNTING POLICIES (Cont'd)

(i) Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year-end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income and expenses in the current period.

(j) Income Taxes

The corporation is exempt from paying income taxes, as it is a registered charity.

(k) Cash and Equivalents

Cash and equivalents consist of cash on deposit.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

3. CHANGE IN ACCOUNTING POLICY

During the year, the Foundation changed its accounting policy with respect to the presentation of the fund balances. The Foundation now shows the flow through funds as part of the fund balances, until the funds are granted. Prior to this change in policy, the Foundation included the flow through funds as a liability on the financial statements.

The Foundation believes the new policy is preferable as it gives a better representation of the liabilities and fund balances.

The impact on each line item of the financial statements is shown in the table below.

	2017 \$	2016 \$
FUND BALANCES - BEGINNING OF THE YEAR		
- as previously reported	16,641,459	15,760,824
CHANGE IN ACCOUNTING POLICY FOR FLOW THROUGH GRANTS INCLUDED AS FUND BALANCES	242,627	273,447
FUND BALANCES - BEGINNING OF YEAR		
- restated	16,884,086	16,034,271
EXCESS OF REVENUE OVER EXPENDITURES - restated	4,069,757	900,719
TRANSFER TO TRUST FUND LIABILITY		(50,904)
FUND BALANCES, END OF YEAR	20,953,843	16,884,086

4. CASH

The Foundation holds bank accounts at two credit unions and two investment dealers. The accounts earn interest from 0.0% - 2.0%.

The Foundation holds U.S. currency totaling CAN\$3,423 (2016 - \$218,123) with an investment dealer.

COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

5. INVESTMENTS

Investments for the Endowment Fund, Restricted Funds for Charitable Distribution and Operating Fund are pooled and investment income is allocated to these funds on a prorated basis based on monthly market value.

The Foundation holds U.S. investments totaling CAN\$7,450,525 (2016 - \$6,166,542) with an investment dealer.

	2017 \$	2016 \$
Fixed income	7,048,223	4,983,143
Equities, mutual and segregated funds	12,775,556	10,802,974
	19,823,779	15,786,117

6. CAPITAL ASSETS

In 2015 the Foundation expensed the full amounts of the carrying costs of its capital assets, to better reflect their fair values. During the year, no capital assets were purchased.

7. TRUST FUND LIABILITY

The Foundation has entered into various agreements to manage funds on behalf of charitable organizations.

In 2016 the Rotary Club of Kingston ("the Rotary Club") requested the Foundation accept their newest fund as a managed fund. Prior to the signing of the fund agreement, this fund had been recorded as an endowment fund in these financial statements. In discussions with the Rotary Club, the Foundation concluded that the wishes of the original donor of the funds would have been to establish it as a managed fund. As a result, during 2016 the balance of this fund (\$50,904) was transferred from endowment capital (\$50,000) and restricted fund (\$904) to trust fund liabilities.

	Year of Agreement \$	2017 \$	2016 \$
Cataraqui Conservation Foundation	2012	34,664	32,532
Seniors Association Kingston Region	2015	84,686	79,477
Rotary Club of Kingston	2016	54,702	52,861
		174,052	164,870

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. RESTRICTED FUNDS FOR CHARITABLE DISTRIBUTION

The Foundation has various Restricted Funds for Charitable Distribution that must be used for specific purposes and in accordance with short, medium and long-term time horizons established by the specific fund.

Internally Restricted Funds

Internally Restricted Funds are established for specific purposes and may be redesignated at any time by the Board of Directors.

The Office Relocation Fund was established in 2015 from operating surplus for the purposes of relocating, renovating or designing office space in preparation of the lease on its offices expiring in 2018. In prior years the Foundation internally restricted \$40,000 for this purpose. In 2017 \$11,000 (2016 - \$20,000) was internally restricted for this purpose.

The Smart and Caring Community Fund is designed to support community projects and was established in 2014 as a spend-down Restricted Fund for Charitable Distribution, meaning that the encroachment on capital is subject to the Enhanced Spending Policy. In prior years \$25,000 was internally restricted for this purpose.

The Community Fund and the Operating Endowment Fund are considered permanent endowment funds and are reflected in the Endowment Fund balances in these financial statements. In prior years the Foundation internally restricted bequests totaling \$116,118 for the Community Fund and \$141,118 for the Operating Endowment Fund.

Donor Restricted Funds

Donor Restricted Funds are established by the donor for specific purposes and may not be redesignated.

In 2011, the Foundation's Board of Directors approved an annual transfer between the Operating Fund and the Operating Endowment Fund. Significant volatility in the markets had resulted in large fluctuations in investment income being earned by the Operating Endowment Fund. To stabilize the transfer of investment income to operations, the Board agreed to transfer between the Operating Endowment Fund and operations, on an annual basis, the amount equal to the difference between the income earned on the Operating Endowment Funds and the three year average rate of return multiplied by the balance of the Operating Endowment Fund at January 1 of each year. In 2017, \$35,319 was transferred to the Operating Endowment Fund (2016 - \$6,012 was transferred to the Operating Fund).

Periodically, donors of Restricted Funds for Charitable Distribution request that grant amounts be made to the Foundation's operations or to Endowment Funds held by the Foundation. During 2017, donors of Restricted Funds for Charitable Distribution requested the transfer of \$2,529 to the Operating Fund and \$18,762 to Endowment Funds.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

8. RESTRICTED FUNDS FOR CHARITABLE DISTRIBUTION (Cont'd)

During 2017, two donors who had originally set up funds in 2015 to be held as Spend-Down Funds requested that the Foundation treat these Funds as traditional Endowment Funds. In discussions with the donors the Foundation decided that it was appropriate to consent to this request. As a result, during 2017 the capital of these two Funds (\$23,718) was transferred from Restricted Funds Held for Charitable Distribution to Endowment Funds.

The summary of transfers in 2017 is as follows:

	Operating Fund \$	Restricted Funds for Charitable Distribution \$	Endowment Fund \$
Transfer to Operating Endowment	(35,319)	35,319	
Flow-through to Operating Fund	2,529	(2,529)	
Transfer of funds to Endowment Fund		(42,480)	42,480
	(32,790)	(9,690)	42,480

9. GRANTS

The Foundation incurs expenditures on an annual basis in the form of grants to qualified donees. The funds received for granting purposes are derived from three sources. The first source is through investment income earned on the Foundation's endowed capital. The second source is through gifts received from donors, whereby the donor has designated that the amount of the gift, less an agreed upon administrative fee, is to be directed to an agency or agencies specified by the donor (provided that the agency is a 'qualified donee'). These are referred to as 'flow through' grants. The third source is the capital portion of the disbursements from spend-down funds.

10. LIFE INSURANCE POLICIES

The Foundation is the assignee and owner of eight separate life insurance policies (2016 - eight) providing for death benefits totaling \$1,569,260 (2016 - \$1,569,260). During 2016, the Foundation was the recipient of death benefits pursuant to two separate life insurance policies which amounted to \$6,975 and have been recorded as donations in these financial statements.

No value related to the ownership of these policies is included in these financial statements. Annual ongoing costs of maintaining the policies are generally funded by the original donors each year, however the Foundation has ultimate responsibility for continuing payments to maintain the policies in the future. During the year, payments of \$36,475 were received from donors and paid to maintain the policies.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

11. FINANCIAL INSTRUMENTS

The fair values of cash, accounts receivable, prepaid expenses and accounts payable and accrued charges, are equivalent to their respective carrying values given the short term nature of the accounts.

Investments are measured at fair value on the statement of financial position as quoted by the Foundation's investment brokers.

Unless otherwise noted, it is management's opinion that the Foundation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

As a result of holding financial instruments, the Foundation is exposed to investment risk, market risk, and interest rate risk.

In 2015 the Foundation launched a microloan program ("First Capital Community Development Loan Program"). As a result of this program, the Foundation is exposed to some credit risk.

The following is a description of those risks and how the Foundation manages its exposure to them. The Foundation's risk management has not changed from the prior year.

(a) Investment risk

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate and market risk.

The Foundation mitigates these risks with an investment policy designed to limit exposure and concentration while achieving optimal return within reasonable risk tolerances.

(b) Market and interest rate risk

The risks associated with the investments are the risks associated with the securities in which the funds are invested. The value of equity securities changes with stock market conditions, which are affected by general economic and market conditions. The value of securities will vary with developments within the specific companies or governments which issue the securities. The value of fixed income securities will generally rise if interest rates fall and fall if interest rates rise. Changes in interest rates may also affect the value of equity securities.

(c) Credit risk

The risk associated with the microloan program is the risk of borrowers defaulting on loan payments that have been guaranteed by the Foundation. In the event of a loan default, the lender is entitled to claim the full amount of the outstanding loan from the Foundation. The Foundation mitigates this risk by: limiting its exposure only to the amount of funds in its First Capital Community Development Loan Program (currently \$78,261); conducting credit checks before guaranteeing a loan; maintaining a Due Diligence Committee to review, approve and follow up with loan applicants; maintaining procedures guiding the loan approval process; and reserving the right to pursue collections on defaulted loans.

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

12. COMMITMENTS

In December 2001, the Foundation entered into an agreement to lease 1,208 square feet of office space from Landont Limited for \$14,496 per annum plus common costs. The lease expires on January 31, 2018. In December 2017, the Foundation entered into an agreement to lease 2,679 square feet of office space from J.S.M. Corporation (Ontario) Ltd. for \$17,199 per annum plus common costs. This lease expires on January 31, 2023. The Foundation has an option to extend this lease for 3 periods of 5 years each. Minimum annual lease payments for the next 5 years, excluding common costs, are as follows:

	\$
2018	16,974
2019	17,199
2020	17,199
2021	17,199
2022	17,199
	<hr/>
	85,770
	<hr/>

13. CAPITAL DISCLOSURE

The Foundation defines its capital as the amounts included in its fund balances.

The Foundation manages its capital in accordance with its Investment Policy.

The Foundation's objective when managing capital is to safeguard its ability to sustain itself as a going concern so that it can continue to provide the appropriate level of benefits and services to its beneficiaries and stakeholders.

A portion of the Foundation's capital is restricted in that the Foundation is required to meet certain requirements to utilize its externally and internally restricted fund balances. The Foundation has internal control procedures to ensure that the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

SCHEDULE A

**COMMUNITY FOUNDATION FOR KINGSTON & AREA
SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Operating 2017	2016
	\$	\$
Bank and credit card fees	2,363	1,716
Fundraising expenditures	1,210	2,199
Information technology	20,773	16,274
Insurance	5,029	4,565
Marketing	4,615	2,248
Meetings and promotions	4,609	2,625
Membership fees	5,958	5,425
Miscellaneous	2,339	4,614
Office	18,205	18,045
Professional fees	9,943	14,818
Publication and printing	6,427	9,142
Rent	38,552	38,725
Wages, benefits and consulting fees	218,115	205,670
	338,138	326,066