

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2010

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2010

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AUDITORS' REPORT

To the Board of Directors, **MUSKOKA COMMUNITY FOUNDATION**

We have audited the accompanying financial statements of Muskoka Community Foundation, which comprise the statement of financial position as at December 31, 2010, and the statements of changes in fund balances, operations 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 generally accepted accounting principles, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian 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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads 'Sedgwick Post & Hogg LLP'. The signature is written in a cursive, flowing style.

LICENSED PUBLIC ACCOUNTANTS

Midland, Ontario
June 2, 2011

MUSKOKA COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

	2010	2009
Assets		
Current assets		
Cash	\$ 12,837	\$ 88,984
Accounts receivable	1,224	480
Prepaid expenses	-	4,563
	<u>14,061</u>	<u>94,027</u>
Investments, at market value (note 3)	220,606	-
	<u>\$ 234,667</u>	<u>\$ 94,027</u>

Liabilities

Current liabilities		
Accounts payable and accrued liabilities	\$ 2,658	\$ 2,050

Fund Balances

Operating fund	1,999	3,138
Restricted fund (note 5)	11,370	19,864
Endowment fund (note 4)	218,640	68,975
	<u>232,009</u>	<u>91,977</u>
	<u>\$ 234,667</u>	<u>\$ 94,027</u>

The Auditors' opinion and notes to financial statements form an integral part of this report.

On behalf of the Board:

Evelyn Archibald Director

Director

MUSKOKA COMMUNITY FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2010, with comparative figures for 2009

	Operating Fund	Restricted Fund (Note 5)	Endowment Fund (Note 4)	Total 2010	Total 2009
Balance, beginning of year	\$ 3,138	\$ 4,562	\$ 84,277	\$ 91,977	\$ 12,007
Restatement of prior year's figures (note 6)	-	15,302	(15,302)	-	-
Balance, beginning of year as restated	3,138	19,864	68,975	91,977	12,007
Excess of revenues over expenses (expenses over revenues)	(1,560)	(8,494)	150,086	140,032	79,970
Inter-fund transfers (note 7)	421	-	(421)	-	-
Balance, end of year	\$ 1,999	\$ 11,370	\$ 218,640	\$ 232,009	\$ 91,977

The Auditors' opinion and notes to financial statements form an integral part of this report.

MUSKOKA COMMUNITY FOUNDATION

Statement of Operations

Year ended December 31, 2010, with comparative figures for 2009

	Operating Fund	Restricted Fund (Note 5)	Endowment Fund (Note 4)	Total 2010	Total 2009
Revenue					
Grants received	\$ -	\$ -	\$ -	\$ -	\$ 12,050
Donations					
Non-receipted	750	-	16,888	17,638	38,020
Received	3,200	10,039	126,898	140,137	54,229
Investment income	-	(54)	16,001	15,947	517
Administration fees (note 8)	1,621	-	-	1,621	165
	<u>5,571</u>	<u>9,985</u>	<u>159,787</u>	<u>175,343</u>	<u>104,981</u>
Operating expenses					
Administration fees (note 8)	-	634	2,201	2,835	165
Conferences	90	-	-	90	340
Dues and fees	350	-	-	350	250
Insurance	864	-	-	864	-
Office and general	913	-	-	913	590
Printing	838	-	-	838	982
Professional fees	2,599	-	-	2,599	2,063
Promotion	104	-	-	104	1,301
Secretarial services	-	2,000	-	2,000	2,000
Telephone	1,061	-	-	1,061	1,065
Travel	-	-	-	-	643
Website design and maintenance	312	2,563	-	2,875	7,612
	<u>7,131</u>	<u>5,197</u>	<u>2,201</u>	<u>14,529</u>	<u>17,011</u>
Excess of revenue over expenses (expenses over revenues) before grants	(1,560)	4,788	157,586	160,814	87,970
Grants disbursed	-	13,282	7,500	20,782	8,000
Excess of revenue over expenses (expenses over revenue)	\$ (1,560)	\$ (8,494)	\$ 150,086	\$ 140,032	\$ 79,970

The Auditors' opinion and notes to financial statements form an integral part of this report.

MUSKOKA COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operations		
Revenue in excess of expenditures before grants disbursed for the year	\$ 160,814	\$ 87,970
Add items not affecting cash:		
Contributions paid directly to externally invested funds	(110,860)	-
Investment income from externally invested funds	(15,316)	-
Investment administration fees on externally invested funds	2,177	-
	<u>36,815</u>	<u>87,970</u>
Change in non-cash balances		
Accounts receivable	(744)	(352)
Prepaid expenses	4,563	(4,273)
Accounts payable and accrued liabilities	607	1,550
	<u>41,241</u>	<u>84,895</u>
Investing activities		
Grants disbursed	(20,782)	(8,000)
Transfers from cash to investments	(96,606)	-
	<u>(117,388)</u>	<u>(8,000)</u>
Net increase (decrease) in cash	(76,147)	76,895
Cash position, beginning of year	88,984	12,089
Cash position, end of year	<u>\$ 12,837</u>	<u>\$ 88,984</u>

The Auditors' opinion and notes to financial statements form an integral part of this report.

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

1. Purpose of the Foundation

The Muskoka Community Foundation (the "Foundation") is incorporated without share capital under the laws of Ontario. The objectives of the Foundation are generally to attract and grow permanent funds and, from the earnings of these funds, to provide grants for charitable purposes primarily, but not exclusively, in the District Municipality of Muskoka.

The Foundation is a public foundation registered under the Canadian Income Tax Act (the "Act") and, as such, 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.

2. Summary of significant accounting policies

Fund accounting

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

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

(i) Operating Fund

The Operating Fund comprises the unrestricted resources available for immediate purposes. The use of these funds is at the discretion of the Foundation's Board.

(ii) Restricted Fund

The Restricted Fund comprises the resources that are to be used for specific purposes as specified by the donor or project funder.

(iii) Endowment Fund

The Endowment Fund comprises the resources that are required by the donor to be maintained by the Foundation on a permanent basis. In addition, the Foundation has a policy to transfer certain donations to the Endowment Fund where there is no current intention of making the original donation available for grants.

Revenue recognition

Donor-restricted contributions, where the donor has required the principal to be held in perpetuity, are recognized as revenue in the Endowment Fund. Other donor-restricted contributions are recognized as revenue in the Restricted Fund or the Operating Fund, depending on the nature of the restriction. Unrestricted contributions are recognized as revenue in the Operating Fund. Contributions are recognized as revenue when received.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

2. Significant accounting policies (continued)

Investments and investment income (loss)

Publicly traded securities are valued based on the bid prices and pooled funds are valued based on reported unit values. Short-term securities are valued based on cost plus accrued income, which approximates fair value. Transactions are recorded on a settlement-date basis and transaction costs are expensed as incurred.

Investment income (loss), which consists of interest, dividends, income distributions from pooled funds, and realized and unrealized gains and losses, is recorded in the statement of operations and changes in fund balances.

Investment income (loss) is recorded as follows:

(i) Operating Fund

- Income earned on resources of the Endowment and Restricted Funds are available to cover investment management fees and other Operating Fund expenses;
- Income (losses) on assets held in the Operating Fund; and
- Income earned on the investment of flow-through funds. Flow-through funds, which are included in the Restricted Fund, are contributions which are to be distributed as specified by the donors within two fiscal years from the date of receipt by the Foundation.

(ii) Restricted Fund

- Income (losses) on resources of Endowment Fund available for granting purposes; and
- Income (losses) on resources of the Restricted Fund not recorded in the Operating Fund.

(iii) Endowment Fund

- Income which the donor has stipulated to be added to principal; and
- Income (losses) incurred on resources of the Endowment Fund.

Grants

Grants are recorded when paid by the Foundation.

Contributed goods and services

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit. The Foundation's other financial assets and liabilities are presented at amortized cost which approximates fair value.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires the Foundation's management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable and prudent. Actual results could differ from those estimates.

Foreign currency translation

Foreign currency denominated monetary assets and liabilities have been translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Foreign currency dominated revenue and expenses are translated into Canadian dollars at the rate of exchange prevailing on the transaction date. Gains and losses on current monetary assets and liabilities resulting from translation of foreign currencies are recognized in the statement of revenue and expenses and changes in fund balances during the year in which they arise.

Financial instruments

The Foundation's financial instruments consist of cash and cash equivalents, accounts receivable, bonds and debentures, common shares and convertible securities held in a pooled fund managed by the Toronto Community Foundation, and accounts payable and accrued liabilities.

The Foundation designated as held-for-trading all investments and cash and cash equivalents and are reported at fair value at each balance sheet date and any changes in fair value are recognized in the period this change occurs. Transaction costs are expensed as incurred.

The fair value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their carrying value.

3. Investments

All of the investments of the Foundation are managed by the Toronto Community Foundation under an Investment Pooling Agreement. The Toronto Community Foundation holds a significant portion of its investments in a pool that invests in individual pooled funds managed by external investment managers. The investment income earned (lost) on the investments held by the Foundation in this pool is allocated to funds based on monthly market values and is recorded as investment income on the Statement of Operations. These funds are held for endowed and restricted funds.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

4. Endowment Fund

The Endowment Fund consists of the following:

	2010	2009
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 2,780	\$ 1,299
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	3,364	3,352
Donor Advised Funds		
Funds where grants are distributed to charitable organizations designated by the donors at the time the fund is established or advised annually by the donors	212,496	64,324
	\$ 218,640	\$ 68,975

The restrictions on the Endowment Fund are as follows:

	2010	2009
Externally endowed	\$ 215,276	\$ 61,723
Internally endowed	3,364	7,252
	\$ 218,640	\$ 68,975

A summary of the existing Endowment Fund is as follows:

	Balance beginning of year	Contributions, income and transfers	Grants, expenses and transfers	Balance end of year
Administration Fund	\$ 2,008	\$ 4,295	\$ (52)	\$ 6,251
Stan Darling Environmental Fund	58,417	42,642	(5,718)	95,341
Andrew and Josephine Griffith Fund	3,351	30	(17)	3,364
Steve and Linda Lowden Fund	-	112,287	(1,383)	110,904
Muskoka Fund	1,299	1,499	(18)	2,780
Robert Seagram Fund	3,900	34	(3,934)	-
	\$ 68,975	\$ 160,787	\$ (11,122)	\$ 218,640

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

5. Restricted Fund

The Restricted Fund balance consists of the following amounts available for restricted purposes:

	2010	2009
Flow-through funds	\$ 11,370	\$ 15,302
Unspent project funding	-	4,562
	<u>\$ 11,370</u>	<u>\$ 19,864</u>

6. Restatement of prior year's figures

The prior year's figures have been restated to reallocate a flow-through fund to the Restricted Fund from the Endowment Fund in the amount of \$15,302.

7. Inter-fund transfers

During the 2010 fiscal year the Foundation received direction to transfer \$1,000 from an endowed donor advised fund to the endowed Muskoka Fund and \$421 to the Operating Fund.

8. Administration fees

During the year administration fees were charged to the the Endowment Fund and Restricted Fund as follows:

	2010	2009
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 987	\$ 157
Charged by the Toronto Community Foundation	<u>1,214</u>	<u>-</u>
	<u>2,201</u>	<u>157</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	634	8
	<u>\$ 2,835</u>	<u>\$ 165</u>

9. Financial risk management

Cash and cash equivalents consist of cash on deposit, accounts receivable, and accounts payable and accrued liabilities. It is management's position that the Foundation is not exposed to significant interest or credit risks arising from these instruments.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2010

9. Financial risk management (continued)

The Foundation is subject to market risk, foreign currency risk and interest rate price risk with respect to investments held in pooled funds managed by the Toronto Community Foundation. To manage these risks, the Toronto Community Foundation has established a target mix of investment types designed to achieve optimal return within reasonable risk tolerance.

10. Capital management

In managing capital, the Foundation focuses on liquid resources available for operations. The Foundation's objective is to have sufficient liquid resources to continue operating and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of the annual budget and in the monitoring of cash flows and actual operating results compared to the budget. As at December 31, 2010, the Foundation has met its objective of having sufficient liquid resources to meet its current obligations.

The Foundation received several grants and donations with external restrictions that specify the conditions for using these financial resources. The Foundation has complied with the requirements respecting these restricted contributions.

See Auditors' Report