

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2011

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2011

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INDEPENDENT AUDITOR'S 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, 2011, 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.

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.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at December 31, 2011 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 18, 2012

MUSKOKA COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets		
Cash	\$ 1,894	\$ 12,837
Accounts receivable	1,469	1,224
	<u>3,363</u>	<u>14,061</u>
Investments, at market value (note)	250,695	220,606
	<u>\$ 254,058</u>	<u>\$ 234,667</u>

Liabilities

Current liabilities		
Accounts payable and accrued liabilities	\$ 2,598	\$ 2,658

Fund Balances

Endowment fund (note 4)	242,627	218,640
Restricted fund (note 5)	10,485	11,370
Operating fund	(1,652)	1,999
	<u>251,460</u>	<u>232,009</u>
	<u>\$ 254,058</u>	<u>\$ 234,667</u>

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

On behalf of the Board:

_____ Director

_____ Director

MUSKOKA COMMUNITY FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2011, with comparative figures for 2010

	Endowment Fund (Note 4)	Restricted Fund (Note 5)	Operating Fund	Total 2011	Total 2010
Balance, beginning of year	\$ 218,640	\$ 11,370	\$ 1,999	\$ 232,009	\$ 91,977
Excess of revenues over expenses (expenses over revenues) for the year	24,987	(885)	(4,651)	19,451	140,032
Inter-fund transfers (note 6)	(1,000)	-	1,000	-	-
Balance, end of year	\$ 242,627	\$ 10,485	\$ (1,652)	\$ 251,460	\$ 232,009

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

MUSKOKA COMMUNITY FOUNDATION

Statement of Operations

Year ended December 31, 2011, with comparative figures for 2010

	Endowment Fund (Note 4)	Restricted Fund (Note 5)	Operating Fund	Total 2011	Total 2010
Revenue					
Donations					
Non-receipted	\$ 24	\$ -	\$ 1,000	\$ 1,024	\$ 17,638
Received	18,710	9,666	475	28,851	140,137
Fundraising income	50,807	-	-	50,807	-
Investment income	(1,180)	210	5	(965)	15,947
Administration fees (note 7)	(4,113)	(241)	1,700	(2,654)	1,621
	64,248	9,635	3,180	77,063	175,343
Operating expenses					
Administration fees (note 7)	-	-	-	-	2,835
Conferences	-	-	30	30	90
Dues and fees	-	-	350	350	350
Fundraising expenses	28,261	-	-	28,261	-
Insurance	-	-	812	812	864
Office and general	-	-	1,404	1,404	913
Printing	-	-	133	133	838
Professional fees	-	-	2,539	2,539	2,599
Promotion	-	-	250	250	104
Secretarial services	-	-	-	-	2,000
Telephone	-	-	1,064	1,064	1,061
Travel	-	-	514	514	-
Website design and maintenance	-	-	735	735	2,875
	28,261	-	7,831	36,092	14,529
Excess of revenue over expenses (expenses over revenues) before grants	35,987	9,635	(4,651)	40,971	160,814
Grants disbursed	11,000	10,520	-	21,520	20,782
Excess of revenue over expenses (expenses over revenue) for the year	\$ 24,987	\$ (885)	\$ (4,651)	\$ 19,451	\$ 140,032

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

MUSKOKA COMMUNITY FOUNDATION

Statement of Cash Flows

Year ended December 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations		
Revenue in excess of expenditures before grants disbursed for the year	\$ 40,971	\$ 160,814
Add items not affecting cash:		
Contributions paid directly to externally invested funds	(9,666)	(110,860)
Investment income from externally invested funds	970	(15,316)
Investment administration fees on externally invested funds	4,355	2,177
	<u>36,630</u>	<u>36,815</u>
Change in non-cash balances		
Accounts receivable	(245)	(744)
Prepaid expenses	-	4,563
Accounts payable and accrued liabilities	(60)	607
	<u>36,325</u>	<u>41,241</u>
Investing activities		
Transfers from investments to cash	18,340	-
Grants disbursed	(21,520)	(20,782)
Transfers from cash to investments	(44,088)	(96,606)
	<u>(47,268)</u>	<u>(117,388)</u>
Net decrease in cash	(10,943)	(76,147)
Cash position, beginning of year	12,837	88,984
Cash position, end of year	<u>\$ 1,894</u>	<u>\$ 12,837</u>

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

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2011

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, and to connect philanthropy with community needs and opportunities to make the District Municipality of Muskoka a better place to live, work, learn and grow.

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.

2. Summary of significant accounting policies

The financial statements of the Foundation have been prepared in accordance with Canadian generally accepted accounting principles. The following summary of significant accounting policies is set forth to facilitate the understanding of these financial statements:

Fund accounting

The Foundation follows the restricted fund method of accounting for contributions. Thus, all donations received by the Foundation are classified into Funds, according to the restrictions placed on them by the donors of the Board of Directors (the "Board") of the Foundation. 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:

(a) Endowment Fund

The Endowment Funds are established for gifts where the capital is required to remain at the Foundation in perpetuity. The Endowment Fund is increased by the proportionate share of investment returns allocated to Endowment Fund capital, less amounts allocated to grants and administrative and investment fees. The Board also 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 (internally endowed Restricted Term Funds)

(b) Restricted Fund

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

Restricted Flowthrough Funds are not restricted as to the timeframe in which capital may be spent. It is generally expected that the Fund capital will be granted within two years of its donation, although these funds may be granted immediately, in whole or in part.

(c) Operating Fund

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

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2011

2. Significant accounting policies (continued)

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.

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:

- (a) Endowment Fund
 - Income which the donor has stipulated to be added to principal; and
 - Income (losses) incurred on resources of the Endowment Fund.
- (b) 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.
- (c) Operating Fund
 - Income earned on resources of the Endowment and Restricted Funds are available to cover investment management fees and other Operating Fund expenses; and
 - Income (losses) on assets held in the Operating Fund.

Grants

Grants are recorded when authorized for payment by the Foundation's Board.

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.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2011

2. Significant accounting policies (continued)

Measurement uncertainty

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 reported amounts of assets and liabilities 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.

The Foundation has chosen to apply the Canadian Institute of Chartered Accountants ("CICA") 3861: Financial Instruments - Disclosure and Presentation in place of CICA 3862: Financial Instruments - Disclosures and CICA 3863: Financial Instruments - Presentation.

The Foundation has exposure to market risk associated with financial instruments. Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The significant market risk to which the Foundation is exposed is interest rate risk. Interest rate risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate due to changes in market interest rates.

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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's objective for investments under its management is to generate a total return that achieves the granting objectives, recovers the cost of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines. The Toronto Community Foundation has adopted an active investment approach, whereby the investments referred to below are currently managed by five active managers and one index manager.

The investment income (loss) earned on the investments held by the Foundation in this pool is allocated to Funds based on monthly market values. These funds are held for endowed and restricted funds.

Investments, at market value, consist of the following:

	2011	2010
	%	%
Asset Class		
Cash	1	2
Fixed income	34	34
Canadian equities	29	28
U.S. equities	14	12
Other foreign equities	20	22
Alternative investments	1	1
Hedge Fund	1	1
	100	100

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MUSKOKA COMMUNITY FOUNDATION

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4. Endowment Fund

The Endowment Fund consists of the following:

	2011	2010
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 3,288	\$ 2,780
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	3,364	3,364
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	235,975	212,496
	\$ 242,627	\$ 218,640

The restrictions on the Endowment Fund are as follows:

	2011	2010
Externally endowed in perpetuity	\$ 239,263	\$ 215,276
Internally endowed	3,364	3,364
	\$ 242,627	\$ 218,640

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	\$ 6,251	\$ 2,589	\$ (114)	\$ 8,726
Stan Darling Environmental Fund	95,341	37,341	(8,813)	123,869
Andrew and Josephine Griffith Fund	3,364	-	-	3,364
Steve and Linda Lowden Fund	110,904	(389)	(7,135)	103,380
Muskoka Fund	2,780	558	(50)	3,288
	\$ 218,640	\$ 40,099	\$ (16,112)	\$ 242,627

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5. Restricted Fund

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

	2011	2010
Flow-through funds	\$ 10,485	\$ 11,370

6. Inter-fund transfers

During the 2011 fiscal year, the Foundation received direction to transfer \$1,000 from a donor advised fund to the Operating Fund.

7. Administration fees

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

	2011	2010
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 1,542	\$ 987
Charged by the Toronto Community Foundation	2,571	1,214
	<u>4,113</u>	<u>2,201</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	158	634
Charged by the Toronto Community Foundation	83	-
	<u>241</u>	<u>634</u>
	<u>\$ 4,354</u>	<u>\$ 2,835</u>

8. 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.

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.

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MUSKOKA COMMUNITY FOUNDATION

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Year ended December 31, 2011

9. 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 despite adverse financial events, 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, 2011, 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.

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