

Muskoka Community Foundation
Financial Statements
For the year ended December 31, 2015

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Independent Auditor's Report

To the Board of Directors of 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, 2015, and the statements of changes in fund balances, operations and cash flows for the year then ended, 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 in our audits 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 Muskoka Community Foundation as at December 31, 2015 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.

Other Matters

The financial statements of Muskoka Community Foundation for the year ended December 31, 2014, were audited by another auditor who expressed a unqualified opinion on those statements on June 23, 2015.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Bracebridge, Ontario
June 21, 2016

Muskoka Community Foundation
Statement of Financial Position

December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2015	Total 2014
Assets					
Current					
Cash	\$ 6,300	\$ (145)	\$ 39,354	\$ 45,509	\$ 19,721
Accounts receivable	-	-	7,564	7,564	4,347
Prepaid expenses	-	-	920	920	-
	<u>6,300</u>	<u>(145)</u>	<u>47,838</u>	<u>53,993</u>	<u>24,068</u>
Investments, at market value (Note 2)	<u>695,405</u>	<u>49,935</u>	<u>-</u>	<u>745,340</u>	<u>737,664</u>
	<u>\$ 701,705</u>	<u>\$ 49,790</u>	<u>\$ 47,838</u>	<u>\$ 799,333</u>	<u>\$ 761,732</u>
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 3)	\$ -	\$ -	\$ 4,555	\$ 4,555	\$ 6,144
Deferred operating grant (Note 4)	-	-	12,200	12,200	12,200
	-	-	<u>16,755</u>	<u>16,755</u>	<u>18,344</u>
Fund balances					
Fund balances (Notes 5 & 6)	<u>701,705</u>	<u>49,790</u>	<u>31,083</u>	<u>782,578</u>	<u>743,388</u>
	<u>\$ 701,705</u>	<u>\$ 49,790</u>	<u>\$ 47,838</u>	<u>\$ 799,333</u>	<u>\$ 761,732</u>

On behalf of the Board:

_____ Director

_____ Director

Muskoka Community Foundation
Statement of Changes in Fund Balances

For the year ended December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2015	Endowment Fund	Restricted Fund	Operating Fund	Total 2014
Fund balances, beginning of year	\$ 697,123	\$ 37,249	\$ 9,016	\$ 743,388	\$ 338,042	\$ 13,280	\$ (4,056)	\$ 347,266
Excess (deficiency) of revenue over expenses for the year	15,988	1,635	21,567	39,190	359,081	23,969	13,072	396,122
Interfund transfers (Notes 5 & 6)	(11,406)	10,906	500	-	-	-	-	-
Fund balances, end of year	\$ 701,705	\$ 49,790	\$ 31,083	\$ 782,578	\$ 697,123	\$ 37,249	\$ 9,016	\$ 743,388

**Muskoka Community Foundation
Statement of Operations**

For the year ended December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2015	Endowment Fund	Restricted Fund	Operating Fund	Total 2014
Revenue								
Government funding	\$ -	\$ -	\$ 24,900	\$ 24,900	\$ -	\$ -	\$ 29,547	\$ 29,547
Donations								
Non-receipted	13,589	4,882	4,280	22,751	21,378	11,765	14,600	47,743
Receipted	5,531	9,780	11,499	26,810	331,455	32,411	1,435	365,301
Investment income	61,249	4,324	-	65,573	43,994	763	-	44,757
Administration fees (Note 7)	(14,213)	(1,092)	6,235	(9,070)	(9,546)	(414)	3,866	(6,094)
Event fees	-	-	13,161	13,161	-	-	11,185	11,185
	66,156	17,894	60,075	144,125	387,281	44,525	60,633	492,439
Expenses								
Conference	-	-	-	-	-	-	178	178
Dues, fees, licences	-	-	450	450	-	-	450	450
Event expenses	-	-	6,449	6,449	-	-	5,505	5,505
Insurance	-	-	1,485	1,485	-	-	1,485	1,485
Office and general	-	-	991	991	-	-	1,120	1,120
Printing	-	-	43	43	-	-	392	392
Professional fees	-	-	4,877	4,877	-	-	4,912	4,912
Promotion	-	-	2,755	2,755	-	-	1,030	1,030
Staff education and travel expenses	-	-	129	129	-	-	495	495
Telephone	-	-	1,089	1,089	-	-	1,090	1,090
Travel	-	-	300	300	-	-	445	445
Wages and benefits	-	-	19,446	19,446	-	-	23,198	23,198
Website design and maintenance	-	-	494	494	-	-	7,261	7,261
	-	-	38,508	38,508	-	-	47,561	47,561
Excess (deficiency) of revenues over expenses before grants disbursed	66,156	17,894	21,567	105,617	387,281	44,525	13,072	444,878
Grants disbursed	(50,168)	(16,259)	-	(66,427)	(28,200)	(20,556)	-	(48,756)
Excess (deficiency) of revenues over expenses for the year	\$ 15,988	\$ 1,635	\$ 21,567	\$ 39,190	\$ 359,081	\$ 23,969	\$ 13,072	\$ 396,122

The accompanying notes are an integral part of these financial statements

Muskoka Community Foundation
Statement of Cash Flows

For the year ended December 31	2015	2014
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 39,190	\$ 396,122
Adjustments for		
Contributions paid directly to externally invested funds	-	(328,886)
Investment income earned on externally invested funds	(65,573)	(44,757)
Administrative fees charged to externally invested funds	9,070	6,093
	<u>(17,313)</u>	<u>28,572</u>
 Changes in non-cash working capital balances		
Accounts receivable	(3,217)	(2,215)
Prepaid expenses	(920)	-
Accounts payable and accrued liabilities	(1,589)	1,596
	<u>(23,039)</u>	<u>27,953</u>
 Investing activities		
Withdrawals from externally invested funds	71,562	41,371
Transfers to externally invested funds	(22,735)	(65,260)
	<u>48,827</u>	<u>(23,889)</u>
 Increase in cash during the year	25,788	4,064
 Cash, beginning of year	19,721	15,657
 Cash, end of year	\$ 45,509	\$ 19,721

The accompanying notes are an integral part of these financial statements

Muskoka Community Foundation

Notes to Financial Statements

December 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies

i) Nature of Operations

The Muskoka Community Foundation (the "Foundation") is incorporated without share capital under the laws of Ontario. The objective of the Foundation is 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 Income Tax Act (Canada) and, as such, is exempt from income tax and able to issue donation receipts for income tax purposes.

ii) Basis of Accounting

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

iii) Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

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

The Endowment Fund reports resources contributed for endowment. The Endowment Fund is increased by the proportionate share of investment returns allocated to the 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).

The Restricted Fund comprises the resources that are to be used for specific purposes as specified by the donor or project funder. This fund includes restricted Flowthrough funds which are not restricted as to the timeframe in which capital may be spent. It is generally expected that the capital of these funds will be granted within one to two years of its donation, although it may be granted immediately, in whole or in part.

iv) Revenue Recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. However, if no appropriate restricted fund is presented, then the restricted contribution is recognized as revenue of the Operating Fund in the year in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue of the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowments are recognized as revenue in the Endowment Fund.

Net investment income earned on Endowment Fund resources is recognized as revenue of the Endowment Fund. Other unrestricted net investment income is recognized as revenue of the Operating Fund when earned.

Muskoka Community Foundation
Notes to Financial Statements

December 31, 2015

1. Nature of Operations and Summary of Significant Accounting Policies (continued)

v) Financial Instruments

Financial Instruments are recorded at fair value at initial recognition.

In subsequent years, equities traded in an active market are reported at fair value, with any change in fair value reported in income of the applicable fund. All other financial instruments are reported at cost or amortized cost less impairment. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items measured at fair value and charged to the financial instrument for those measured at amortized cost.

Financial assets are tested for impairment when indicators of impairment exist.

vi) Contributed Services

Volunteers contribute many hours per year to assist the Foundation in carrying out its activities. Due to the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

vii) Foreign Currency Translation

Foreign currency transactions are translated at the rates of exchange in effect at the dates of the transaction. Resulting foreign currency denominated monetary assets and liabilities are translated at the rates of exchange in effect at the year end date. Gains and losses on translation of monetary assets and liabilities are included in net income.

viii) Tangible Capital Assets

Tangible capital assets are not recorded in the statement of financial position. Tangible capital assets are expensed in the year they are acquired.

Muskoka Community Foundation Notes to Financial Statements

December 31, 2015

2. Investments

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

The Toronto Foundation holds a significant portion of its investments in a pool that invests in pooled funds managed by external investment managers. Investment income (loss) earned on the investments held by the Toronto Foundation in this pool is allocated to the Funds based on monthly market values.

Investments as part of the pooled funds of the Toronto Foundation are measured at market value and consist of the following:

	2015	2014
Asset Class		
Cash and cash equivalents	3 %	3 %
Fixed income securities	16 %	28 %
Canadian equities	12 %	11 %
U.S. equities	9 %	8 %
Other foreign equities	26 %	23 %
Other investments	34 %	27 %
	100 %	100 %

The Foundation has a policy with the objective of protecting the real value of the endowments by limiting the amount of income made available for spending (granting and operating costs) and requiring the reinvestment into the Endowment Fund of income not made available. An amount representing 2% (2014 - 2%) of the market value of most of the Fund balances was made available to cover investment management fees and program and administrative expenses.

The Foundation is subject to currency risk, interest rate risk and other price risk with respect to investments held in pooled funds managed by the Toronto Foundation.

3. Government Remittances

Included in accounts payable and accrued liabilities are government remittances payable of \$471 (2014 - \$507).

Muskoka Community Foundation
Notes to Financial Statements

December 31, 2015

4. Deferred Contributions

Deferred contributions reported in the Operating Fund represent restricted operating funding received in the current period that is related to expenses of a subsequent period.

On March 1, 2012, the Foundation entered into a four year funding agreement with The Ontario Trillium Foundation to assist the Foundation in reaching investment targets and in building long-term sustainability for its core operations. The total approved funding over the four year term is \$94,000. Changes in the deferred contributions balance reported in the Operating Fund are as follows:

	<u>2015</u>	<u>2014</u>
Balance, beginning of year	\$ 12,200	\$ 12,200
Contributions received	24,500	24,500
Less amounts recognized as revenue	(24,500)	(24,500)
Balance, end of year	\$ 12,200	\$ 12,200

Muskoka Community Foundation Notes to Financial Statements

December 31, 2015

5. Endowment Fund

The Endowment Fund, which is externally endowed in perpetuity, consists of the following:

i) 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.

ii) Community Funds

Administration Fund - where grants have been designated for operations by the donors.

	Balance beginning of year	Contributions Received	Investment Income	Grants Disbursed	Administration Fees	Interfund Transfer	Balance end of year
Donor Advised Funds							
Cowan Family Fund	\$ 327,667	\$ -	\$ 29,307	\$ (26,400)	\$ (6,700)	\$ (500)	\$ 323,374
Dara's Fund at Muskoka Community Foundation	-	15,361	2,467	(1,568)	(588)	27,561	43,233
Stan Darling Environmental Education Fund	200,912	1,250	18,045	(13,200)	(4,208)	-	202,799
Lowden Family Fund	112,633	-	10,096	(9,000)	(2,354)	-	111,375
	641,212	16,611	59,915	(50,168)	(13,850)	27,061	680,781
Community Funds							
Smart & Caring Fund	38,467	-	-	-	-	(38,467)	-
Administration Fund	17,444	2,508	1,334	-	(363)	-	20,923
	\$ 697,123	\$ 19,119	\$ 61,249	\$ (50,168)	\$ (14,213)	\$ (11,406)	\$ 701,704

Interfund Transfers

On May 22, 2015, the agreement over the restricted funds held for the Dara's Women into Sport Fund was amended to establish an endowment fund, Dara's Fund at Muskoka Community Foundation, with the balance of \$27,561 held in the restricted fund as at December 31, 2014.

During the 2015 fiscal year, the Foundation received direction to transfer \$500 from a donor advised fund to the Council of 50 within the Operating Fund.

In 2015, the Smart & Caring Fund was reclassified as a restricted fund as its funds are not restricted to be kept in perpetuity.

Muskoka Community Foundation
Notes to Financial Statements

December 31, 2015

6. Restricted Fund

The Restricted Fund consists of the following amounts available for restricted purposes. Grants are distributed at the discretion of the Foundation's Board for the Smart & Caring Fund.

	Balance beginning of year	Contributions	Investment Income	Grants	Administration Fees	Interfund Transfer	Balance end of year
Flowthrough funding	\$ 37,249	\$ 1,600	\$ 755	\$ (10,259)	\$ (38)	\$ (27,561)	\$ 1,746
Smart & Caring Fund	-	13,062	3,569	(6,000)	(1,054)	38,467	48,044
	<u>\$ 37,249</u>	<u>\$ 14,662</u>	<u>\$ 4,324</u>	<u>\$ (16,259)</u>	<u>\$ (1,092)</u>	<u>\$ 10,906</u>	<u>\$ 49,790</u>

7. Administrative Fees

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

	<u>2015</u>	<u>2014</u>
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 5,687	\$ 3,580
Charged by the Toronto Foundation	8,526	5,966
	<u>14,213</u>	<u>9,546</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	548	286
Charged by the Toronto Foundation	544	128
	<u>1,092</u>	<u>414</u>
	<u>\$ 15,305</u>	<u>\$ 9,960</u>