

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2014

**MUSKOKA COMMUNITY FOUNDATION
Financial Statements**

Year ended December 31, 2014

Contents

Independent Auditor's Report	1
Statement of Financial Position	2
Statement of Changes in Fund Balances	3
Statement of Operations	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 13

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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, 2014, 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 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Muskoka Community Foundation as at December 31, 2014 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.

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

Midland, Ontario
June 23, 2015

CHARTERED PROFESSIONAL ACCOUNTANTS
Licensed Public Accountants

MUSKOKA COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2014

	2014	2013
Assets		
Current assets		
Cash	\$ 19,721	\$ 15,657
Accounts receivable	4,347	2,132
	<u>24,068</u>	<u>17,789</u>
Investments, at market value (Note 3)	737,664	346,225
	<u>\$ 761,732</u>	<u>\$ 364,014</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 4)	\$ 6,145	\$ 4,549
Deferred operating grant (Note 5)	12,200	12,200
	<u>18,345</u>	<u>16,749</u>
Fund Balances		
Endowment fund (Note 6)	697,123	338,042
Restricted fund (Note 7)	37,248	13,279
Operating fund	9,016	(4,056)
	<u>743,387</u>	<u>347,265</u>
	<u>\$ 761,732</u>	<u>\$ 364,014</u>

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

On behalf of the Board:

Evelyn McChibald Director

_____ Director

MUSKOKA COMMUNITY FOUNDATION

Statement of Changes in Fund Balances

Year ended December 31, 2014

	Endowment Fund		Restricted Fund		Operating Fund		Total	
	(Note 6)		(Note 7)					
	2014	2013	2014	2013	2014	2013	2014	2013
Balance, beginning of year	\$ 338,042	\$ 291,095	\$ 13,279	\$ 9,909	\$ (4,056)	\$ (3,632)	\$ 347,265	\$ 297,372
Excess (deficiency) of revenue over expenses for the year	359,081	50,147	23,969	3,370	13,072	(3,624)	396,122	49,893
Inter-fund transfers	-	(3,200)	-	-	-	3,200	-	-
Balance, end of year	\$ 697,123	\$ 338,042	\$ 37,248	\$ 13,279	\$ 9,016	\$ (4,056)	\$ 743,387	\$ 347,265

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, 2014

	Endowment Fund		Restricted Fund		Operating Fund		Total	
	(Note 6)		(Note 7)					
	2014	2013	2014	2013	2014	2013	2014	2013
Revenue								
Government funding (Note 5)	\$ -	\$ -	\$ -	\$ -	\$ 29,547	\$ 20,323	\$ 29,547	\$ 20,323
Donations								
Non-receipted	21,378	9,522	11,765	-	14,600	14	47,743	9,536
Receipted	331,455	19,735	32,411	13,251	1,435	4,275	365,301	37,261
Investment income	43,994	45,069	763	998	-	-	44,757	46,067
Administration fees (Note 8)	(9,546)	(5,779)	(414)	(334)	3,866	2,430	(6,094)	(3,683)
Event fees	-	-	-	-	11,185	1,350	11,185	1,350
	387,281	68,547	44,525	13,915	60,633	28,392	492,439	110,854
Operating expenses								
Conferences	-	-	-	-	178	50	178	50
Dues, fees, licences	-	-	-	-	450	500	450	500
Event expenses	-	-	-	-	5,505	1,262	5,505	1,262
Insurance	-	-	-	-	1,485	1,485	1,485	1,485
Office and general	-	-	-	-	1,120	849	1,120	849
Printing	-	-	-	-	392	634	392	634
Professional fees	-	-	-	-	4,912	2,780	4,912	2,780
Promotion	-	-	-	-	1,030	1,747	1,030	1,747
Staff education and travel expenses	-	-	-	-	495	169	495	169
Telephone	-	-	-	-	1,090	1,084	1,090	1,084
Travel	-	-	-	-	445	794	445	794
Wages and benefits	-	-	-	-	23,198	20,002	23,198	20,002
Website design and maintenance	-	-	-	-	7,261	660	7,261	660
	-	-	-	-	47,561	32,016	47,561	32,016
Excess (deficiency) of revenue over expenses before grants disbursed and transfers	387,281	68,547	44,525	13,915	13,072	(3,624)	444,878	78,838
Grants disbursed and transfers	(28,200)	(18,400)	(20,556)	(10,545)	-	-	(48,756)	(28,945)
Excess (deficiency) of revenue over expenses for the year	\$ 359,081	\$ 50,147	\$ 23,969	\$ 3,370	\$ 13,072	\$ (3,624)	\$ 396,122	\$ 49,893

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, 2014

	2014	2013
Cash provided by (used in):		
Operations		
Excess of revenue over expenses for the year	\$ 396,122	\$ 49,893
Donations paid directly to externally invested funds	(328,886)	(15,501)
Investment income from externally invested funds	(44,757)	(46,067)
External investment administrative fees	6,093	3,683
	<u>28,572</u>	<u>(7,992)</u>
Change in non-cash working capital balances related to operations		
Accounts receivable	(2,215)	(168)
Accounts payable and accrued liabilities	1,596	1,290
Deferred operating grant	-	4,474
	<u>27,953</u>	<u>(2,396)</u>
Investing activities		
Withdrawals from externally invested funds	41,371	28,880
Transfers from cash to investments	(65,260)	(42,589)
	<u>(23,889)</u>	<u>(13,709)</u>
Net increase (decrease) in cash	4,064	(16,105)
Cash position, beginning of year	15,657	31,762
Cash position, end of year	<u>\$ 19,721</u>	<u>\$ 15,657</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, 2014

1. Purpose of the Foundation

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) (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 are prepared in accordance with Part III of the Chartered Professional Accountants Canada ("CPA Canada") Handbook – Accounting standards for not-for-profit organizations, which sets out accounting standards for not-for-profit organizations in Canada and includes the significant accounting policies summarized below:

Fund accounting

All donations received by the Foundation are classified into Funds, according to the restrictions placed on them by the donors or by 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

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 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.

continued...

See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

2. Significant accounting policies (continued)

(c) Operating Fund

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.

Revenue recognition

The Foundation follows the restricted fund method of accounting for contributions. Grants and bequests are recognized when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Other donations are recorded when received. Contributions which the donor has required to be held in perpetuity are recognized as revenue in the Endowment Fund. Restricted contributions are recognized as revenue in the Restricted Fund. Unrestricted contributions are recognized as revenue in the Operating Fund.

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

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% (2013 - 2%) of the market value of most of the Fund balances was made available to cover investment management fees, and program and administrative expenses.

Financial instruments

Investments reported at fair value consist of equity instruments that are quoted in an active market as well as investments in pooled funds and any investments in fixed income securities that are designated upon purchase to be measured at fair value. Transaction costs are recognized in the statements of revenue and expenses and changes in fund balances in the period during which they are incurred.

All transactions are recorded on a trade date basis.

Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at cost, net of any provisions for impairment.

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See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

2. Significant accounting policies (continued)

Grants

Grants are recorded when approved by the Foundation's Board and any terms and conditions have been met by the grantee.

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.

Foreign currency translation

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

Capital assets

Canadian accounting standards for not-for-profit organizations recommend that a capital asset should be recorded on the statement of financial position at cost and be amortized over its estimated useful life in a rational and systematic manner as an expense in the Foundations's statement of operations. Not-for-profit organizations may expense capital asset purchases if the average annual revenues recognized in the statement of operations for the current and preceding period of the Foundation are less than \$500,000. The average annual revenues of the Foundation for the current and preceding period were less than \$500,000 and, as a result, the Foundation has elected to expense capital asset purchases.

3. Investments

All of the investments of the Foundation are managed by the 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 cost of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines.

continued...

See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

3. Investments (continued)

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, at market value, consist of the following:

	2014	2013
	%	%
Asset Class		
Cash and cash equivalents	3	3
Fixed income securities	28	27
Canadian equities	11	13
U.S. equities	8	10
Other foreign equities	23	20
Other investments	27	27
	100	100

Investments in pooled funds have been allocated to the appropriate asset classes.

4. Government remittances

Included in accounts payable and accrued liabilities is \$507 (2013 - \$326) owing with respect to government remittances.

5. Government funding

On March 1, 2012 the Muskoka Community Foundation entered into a four year funding agreement with The Ontario Trillium Foundation ("Trillium") 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. Proceeds of \$24,500 were received during the current fiscal year (2013 - \$24,500). Of this amount \$24,500 (2013 - \$20,026) has been reported as revenue on the statement of operations. Total proceeds received pursuant to this grant as of December 31, 2014 are \$69,500 (2013 - \$45,000) and \$12,200 (2013 - \$12,200) has been reported as deferred revenue on the statement of financial position.

The Foundation entered into an agreement with the Muskoka Community Network for funding in the amount of \$4,875 to be spent on website design and development. The Foundation has recognized the full amount as revenue.

continued...

See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

5. Government funding (continued)

The Foundation also received a \$172 (2013- \$297) hiring credit for small business from the Government of Canada. The Foundation has recognized the full amount as revenue.

It is management's opinion that the organization has met all conditions attached to the government funding received during the year.

6. Endowment fund

(a) The Endowment Fund consists of the following:

	2014	2013
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 38,467	\$ 29,661
Funds where grants have been designated for operations by the donors	17,444	10,158
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	641,212	298,223
	\$ 697,123	\$ 338,042

(b) The Restrictions on the Endowment Fund are as follows:

	2014	2013
Externally endowed in perpetuity	\$ 697,123	\$ 338,042

continued...

See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

6. Endowment fund (continued)

(c) A summary of the existing Endowment Fund is as follows:

	Balance beginning of year	Contributions	Investment Income	Grants	Administration Fees	Inter-fund	Balance end of year
Administration Fund	\$ 10,158	\$ 6,500	\$ 994	\$ -	\$ (208)	\$ -	\$ 17,444
Smart & Caring Fund (Note i)	29,661	12,468	2,950	(6,000)	(612)	-	38,467
Cowan Family Fund	-	319,240	11,280	-	(2,853)	-	327,667
Stan Darling Environmental Education Fund	182,474	14,625	17,604	(10,200)	(3,591)	-	200,912
Steve and Linda Lowden Fund	115,749	-	11,166	(12,000)	(2,282)	-	112,633
	\$ 338,042	\$ 352,833	\$ 43,994	\$ (28,200)	\$ (9,546)	\$ -	\$ 697,123

(Note i) The principal balance of the Smart and Caring Fund at December 31, 2014 is \$42,231 (2013 - \$29,763). This fund has disbursed grants in excess of the original principal balance in the amount of \$3,763 (2013 - \$101).

7. Restricted fund

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

	2014	2013
Unspent Restricted Flowthrough funds	37,248	13,279

The Restricted Fund consists of the following:

	Balance beginning of year	Contributions	Investment Income	Grants	Administration Fees	Inter-fund	Balance end of year
Flowthrough funding	\$ 13,279	\$ 44,176	\$ 763	\$ (20,556)	\$ (414)	\$ -	\$ 37,248

See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

8. Administrative fees

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

	2014	2013
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 3,580	\$ 2,167
Charged by the Toronto Foundation	5,966	3,612
	<u>9,546</u>	<u>5,779</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	286	263
Charged by the Toronto Foundation	128	71
	<u>414</u>	<u>334</u>
	<u>\$ 9,960</u>	<u>\$ 6,113</u>

9. Capital assets

In line with the Foundation's accounting policy for capital assets, the Foundation has expensed assets that would have otherwise been capitalized. The only major capital asset category that the Foundation has expensed are costs related to its website. During the current year the Foundation expensed \$7,068 (2013 - \$nil) for the development of the website.

10. Financial instruments

The Foundation is exposed to various financial risks through transactions in financial instruments.

Financial instruments 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 currency risk, credit risk, interest rate risk, and other price risk with respect to investments held in pooled funds managed by the Toronto Foundation.

There have been no changes in risk exposure from the previous year.

11. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

See Auditor's Report

MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2014

12. Subsequent Event

On May 22, 2015 the agreement over restricted funds held for the Dara's Women into Sport Fund was amended to establish an endowment fund from this restricted funding. The Dara's Women into Sport Fund represents \$27,561 of restricted funds held as at December 31, 2014.

See Auditor's Report