

**Muskoka Community Foundation**  
**Financial Statements**  
For the year ended December 31, 2017

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## Independent Auditor's Report

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### 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, 2017, 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, 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.

*BDO Canada LLP*

Chartered Professional Accountants, Licensed Public Accountants

Bracebridge, Ontario  
June 20, 2018

**Muskoka Community Foundation**  
**Statement of Financial Position**

December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2017	Total 2016
<b>Assets</b>					
<b>Current</b>					
Cash	\$ (980)	\$ 96,348	\$ 28,769	\$ 124,137	\$ 94,170
Accounts receivable	-	-	8,684	8,684	7,377
Prepaid expenses	-	-	2,000	2,000	1,638
	<u>(980)</u>	<u>96,348</u>	<u>39,453</u>	<u>134,821</u>	<u>103,185</u>
<b>Investments</b> , at market value (Note 2)	<u>873,472</u>	<u>56,444</u>	<u>-</u>	<u>929,916</u>	<u>758,683</u>
	<b>\$ 872,492</b>	<b>\$ 152,792</b>	<b>\$ 39,453</b>	<b>\$ 1,064,737</b>	<b>\$ 861,868</b>
<b>Liabilities</b>					
<b>Current</b>					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,040	\$ 4,040	\$ 3,984
<b>Fund balances</b>					
Fund balances (Notes 4 & 5)	<u>872,492</u>	<u>152,792</u>	<u>35,413</u>	<u>1,060,697</u>	<u>857,884</u>
	<b>\$ 872,492</b>	<b>\$ 152,792</b>	<b>\$ 39,453</b>	<b>\$ 1,064,737</b>	<b>\$ 861,868</b>

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 2017	Endowment Fund	Restricted Fund	Operating Fund	Total 2016
<b>Fund balances, beginning of year</b>	\$ 759,514	\$ 58,012	\$ 40,358	\$ 857,884	\$ 701,705	\$ 49,790	\$ 31,083	\$ 782,578
Excess (deficiency) of revenue over expenses for the year	113,478	94,780	(5,445)	202,813	60,309	6,222	8,775	75,306
Interfund transfers (Notes 4 & 5)	(500)	-	500	-	(2,500)	2,000	500	-
<b>Fund balances, end of year</b>	<b>\$ 872,492</b>	<b>\$ 152,792</b>	<b>\$ 35,413</b>	<b>\$ 1,060,697</b>	<b>\$ 759,514</b>	<b>\$ 58,012</b>	<b>\$ 40,358</b>	<b>\$ 857,884</b>

## Muskoka Community Foundation Statement of Operations

For the year ended December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2017	Endowment Fund	Restricted Fund	Operating Fund	Total 2016
<b>Revenue</b>								
Government funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,123	\$ 10,123
Donations								
Non-receipted (Note 6)	5,651	29,385	10,576	45,612	5,816	7,152	16,235	29,203
Receipted	76,128	140,341	5,888	222,357	63,664	27,385	6,790	97,839
Investment income	72,249	5,450	10	77,709	31,545	2,459	8	34,012
Administration fees (Note 7)	(16,600)	(4,326)	10,292	(10,634)	(13,916)	(1,413)	6,384	(8,945)
Event fees	-	-	11,312	11,312	-	-	10,285	10,285
	<b>137,428</b>	<b>170,850</b>	<b>38,078</b>	<b>346,356</b>	<b>87,109</b>	<b>35,583</b>	<b>49,825</b>	<b>172,517</b>
<b>Expenses</b>								
Dues, fees, licences	-	-	450	450	-	-	450	450
Event expenses	-	-	8,929	8,929	-	-	7,026	7,026
Insurance	-	-	1,496	1,496	-	-	1,496	1,496
Office and general	-	-	1,337	1,337	-	-	954	954
Printing	-	-	66	66	-	-	375	375
Professional fees	-	-	4,398	4,398	-	-	4,321	4,321
Promotion	-	-	185	185	-	-	2,408	2,408
Rent	-	-	2,700	2,700	-	-	900	900
Staff education and travel expenses	-	-	104	104	-	-	107	107
Telephone	-	-	1,199	1,199	-	-	1,115	1,115
Travel	-	-	344	344	-	-	-	-
Wages and benefits	-	-	21,380	21,380	-	-	21,446	21,446
Website design and maintenance	-	-	935	935	-	-	452	452
	<b>-</b>	<b>-</b>	<b>43,523</b>	<b>43,523</b>	<b>-</b>	<b>-</b>	<b>41,050</b>	<b>41,050</b>
<b>Excess (deficiency) of revenues over expenses before grants disbursed</b>	<b>137,428</b>	<b>170,850</b>	<b>(5,445)</b>	<b>302,833</b>	<b>87,109</b>	<b>35,583</b>	<b>8,775</b>	<b>131,467</b>
<b>Grants disbursed</b>	<b>(23,950)</b>	<b>(76,070)</b>	<b>-</b>	<b>(100,020)</b>	<b>(26,800)</b>	<b>(29,361)</b>	<b>-</b>	<b>(56,161)</b>
<b>Excess (deficiency) of revenues over expenses for the year</b>	<b>\$ 113,478</b>	<b>\$ 94,780</b>	<b>\$ (5,445)</b>	<b>\$ 202,813</b>	<b>\$ 60,309</b>	<b>\$ 6,222</b>	<b>\$ 8,775</b>	<b>\$ 75,306</b>

The accompanying notes are an integral part of these financial statements

## Muskoka Community Foundation Statement of Cash Flows

For the year ended December 31	2017	2016
<b>Cash provided by (used in)</b>		
<b>Operating activities</b>		
Excess of revenues over expenses for the year	\$ 202,813	\$ 75,306
Adjustments for		
Investment income earned on externally invested funds	(77,699)	(34,004)
Administrative fees charged to externally invested funds	10,634	8,945
	<u>135,748</u>	<u>50,247</u>
Changes in non-cash working capital balances		
Accounts receivable	(1,307)	187
Prepaid expenses	(362)	(718)
Accounts payable and accrued liabilities	56	(571)
Deferred operating funding	-	(12,200)
	<u>134,135</u>	<u>36,945</u>
<b>Investing activities</b>		
Withdrawals from externally invested funds	64,350	45,796
Transfers to externally invested funds	(168,518)	(34,080)
	<u>(104,168)</u>	<u>11,716</u>
<b>Increase in cash during the year</b>	<b>29,967</b>	<b>48,661</b>
<b>Cash, beginning of year</b>	<b>94,170</b>	<b>45,509</b>
<b>Cash, end of year</b>	<b>\$ 124,137</b>	<b>\$ 94,170</b>

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# Muskoka Community Foundation

## Notes to Financial Statements

December 31, 2017

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### 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 Foundation ensures, as part of its fiduciary responsibilities, that all funds received with restricted purposes are expended for the purpose for which they were provided.

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

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

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.

#### 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 and Restricted Fund resources is recognized as revenue of the Endowment Fund and the Restricted Fund. Other unrestricted net investment income is recognized as revenue of the Operating Fund when earned.

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## Muskoka Community Foundation Notes to Financial Statements

December 31, 2017

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### 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) Grants

Grants are recorded when they have been duly approved in accordance with the Foundation's Board policies and any terms and conditions have been met by the grantee.

#### vii) Interfund Transfers

Interfund transfers include amounts transferred as directed by fund holders or as approved by the Board.

#### viii) 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.

#### ix) 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.

#### x) 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.

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## Muskoka Community Foundation Notes to Financial Statements

December 31, 2017

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### 2. 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 costs of administering the funds, protects the purchasing power of the capital, and establishes a reserve for future market declines. The Toronto Foundation manages its investment strategy through an outsourced Chief Investment Officer.

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:

<b>Asset Class</b>	<b>2017</b>	<b>2016</b>
Cash and cash equivalents	5 %	4 %
Fixed income securities	11 %	16 %
Canadian equities	15 %	13 %
U.S. equities	10 %	9 %
Other foreign equities	29 %	25 %
Other investments	30 %	33 %
	<b>100 %</b>	<b>100 %</b>

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% (2016 - 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.

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### 3. Subsequent Event

In 2018, funds managed by the Toronto Foundation were transferred to TD Private Investment Counsel with the same objectives for investment management as the management objectives of the Toronto Foundation. Administrative fees charged by TD Private Investment Counsel are 1.35% on the first \$1,000,000 and 1.10% on the next \$1,000,000.

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## Muskoka Community Foundation Notes to Financial Statements

December 31, 2017

### 4. 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

Funds 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
<b>Donor Advised Funds</b>							
Cowan Family Fund	\$ 319,756	\$ 50,678	\$ 31,290	\$ (10,700)	\$ (7,008)	\$ (500)	\$ 383,516
Dara's Fund at Muskoka Community Foundation	45,047	5,535	4,072	(1,500)	(1,013)	-	52,141
Stan Darling Environmental Education Fund	200,548	450	18,257	(5,750)	(4,172)	-	209,333
Goodwin Family Fund	-	25,000	751	-	(378)	-	25,373
Lowden Family Fund	172,063	-	15,839	(6,000)	(3,566)	-	178,336
	737,414	81,663	70,209	(23,950)	(16,137)	(500)	848,699
<b>Community Funds</b>							
Administration Fund	22,100	116	2,040	-	(463)	-	23,793
	\$ 759,514	\$ 81,779	\$ 72,249	\$ (23,950)	\$ (16,600)	\$ (500)	\$ 872,492

#### Interfund Transfers

During the 2017 fiscal year, the Foundation received direction to transfer \$500 from a donor advised fund to the Council of 50 within the Operating Fund.

## Muskoka Community Foundation Notes to Financial Statements

December 31, 2017

### 5. 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 Muskoka Fund.

	Balance beginning of year	Contributions	Investment Income	Grants	Administration Fees	Balance end of year
South and Central Almaguin Educational Award Fund	\$ -	\$ 20,500	\$ 852	\$ (2,200)	\$ (512)	\$ 18,640
Youth Citizenship and Service Fund	3,767	113,946	308	(15,900)	(2,894)	99,227
Flowthrough funding	-	2,000	-	(2,000)	-	-
Smart & Caring Muskoka Fund	54,245	33,280	4,290	(55,970)	(920)	34,925
	<u>\$ 58,012</u>	<u>\$ 169,726</u>	<u>\$ 5,450</u>	<u>\$ (76,070)</u>	<u>\$ (4,326)</u>	<u>\$ 152,792</u>

### 6. Non-receipted Donations

In 2017 Muskoka Community Foundation received a contribution of \$27,385 from the Community Fund as part of Canada 150 celebrations. The funds from the Community Fund were matched with funds from the Smart & Caring Muskoka Fund and disbursed in the year.

### 7. Administrative Fees

Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 6,615	\$ 5,568
Charged by the Toronto Foundation	9,985	8,348
	<u>16,600</u>	<u>13,916</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	3,677	816
Charged by the Toronto Foundation	649	597
	<u>4,326</u>	<u>1,413</u>
	<u>\$ 20,926</u>	<u>\$ 15,329</u>