

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2012

MUSKOKA COMMUNITY FOUNDATION
Financial Statements

Year ended December 31, 2012

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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, 2012, 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.

(continues)

INDEPENDENT AUDITOR'S REPORT (continued)

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Muskoka Community Foundation as at December 31, 2012 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.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that Muskoka Community Foundation adopted Canadian Accounting Standards for Not-For-Profit Organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2012 and January 1, 2012 and the statements of operations, changes in net assets and cash flows for the year ended December 31, 2012 and related disclosures.

Sedgwick Post & Hogg LLP

Midland, Ontario
June 18, 2013

LICENSED PUBLIC ACCOUNTANTS
CHARTERED ACCOUNTANTS

MUSKOKA COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2012

	December 31 2012	December 31 2011	January 1 2011
Assets			
Current assets			
Cash	\$ 31,762	\$ 1,894	\$ 12,837
Accounts receivable	1,964	1,469	1,224
	<u>33,726</u>	<u>3,363</u>	<u>14,061</u>
Investments, at market value (Note 4)	274,631	250,695	220,606
	<u>\$ 308,357</u>	<u>\$ 254,058</u>	<u>\$ 234,667</u>

Liabilities

Current liabilities			
Accounts payable and accrued liabilities	\$ 3,259	\$ 2,598	\$ 2,658
Deferred operating grant	7,726	-	-
	<u>10,985</u>	<u>2,598</u>	<u>2,658</u>

Fund Balances

Endowment fund (Note 5)	291,095	242,627	218,640
Restricted fund (Note 6)	9,909	10,485	11,370
Operating fund	(3,632)	(1,652)	1,999
	<u>297,372</u>	<u>251,460</u>	<u>232,009</u>
	<u>\$ 308,357</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, 2012

	Endowment Fund (Note 5)		Restricted Fund (Note 6)		Operating Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Balance, beginning of year	\$ 242,627	\$ 218,640	\$ 10,485	\$ 11,370	\$ (1,652)	\$ 1,999	\$ 251,460	\$ 232,009
Excess (deficiency) of revenue over expenses for the year	52,832	24,987	(576)	(885)	(6,344)	(4,651)	45,912	19,451
Inter-fund transfers (Note 7)	(4,364)	(1,000)	-	-	4,364	1,000	-	-
Balance, end of year	\$ 291,095	\$ 242,627	\$ 9,909	\$ 10,485	\$ (3,632)	\$ (1,652)	\$ 297,372	\$ 251,460

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, 2012

	Endowment Fund (Note 5)		Restricted Fund (Note 6)		Operating Fund		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue								
Grants received (Note 8)	\$ -	\$ -	\$ -	\$ -	\$ 12,774	\$ -	\$ 12,774	\$ -
Donations								
Non-receipted	27,145	24	98	-	225	1,000	27,468	1,024
Received	11,375	18,710	10,167	9,666	2,250	475	23,792	28,851
Fundraising income	-	50,807	-	-	-	-	-	50,807
Investment income	28,036	(1,180)	672	210	-	5	28,708	(965)
Administration fees (Note 9)	(4,724)	(4,113)	(314)	(241)	2,026	1,700	(3,012)	(2,654)
	61,832	64,248	10,623	9,635	17,275	3,180	89,730	77,063
Operating expenses								
Conferences	-	-	-	-	140	30	140	30
Dues and fees	-	-	-	-	500	350	500	350
Fundraising expenses	-	28,261	-	-	-	-	-	28,261
Insurance	-	-	-	-	1,056	812	1,056	812
Office and general	-	-	-	-	2,206	1,404	2,206	1,404
Printing	-	-	-	-	115	133	115	133
Professional fees	-	-	-	-	2,904	2,539	2,904	2,539
Promotion	-	-	-	-	1,140	250	1,140	250
Staff education and travel expenses	-	-	-	-	351	-	351	-
Telephone	-	-	-	-	997	1,064	997	1,064
Travel	-	-	-	-	933	514	933	514
Wages and benefits	-	-	-	-	12,477	-	12,477	-
Website design and maintenance	-	-	-	-	800	735	800	735
	-	28,261	-	-	23,619	7,831	23,619	36,092
Excess (deficiency) of revenue over expenses before grants disbursed and transfers	61,832	35,987	10,623	9,635	(6,344)	(4,651)	66,111	40,971
Grants disbursed and transfers	9,000	11,000	11,199	10,520	-	-	20,199	21,520
Excess (deficiency) of revenue over expenses for the year	\$ 52,832	\$ 24,987	\$ (576)	\$ (885)	\$ (6,344)	\$ (4,651)	\$ 45,912	\$ 19,451

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, 2012

	2012	2011
Cash provided by (used in):		
Operations		
Excess of revenue over expenses before grants disbursed and transfers	\$ 66,111	\$ 40,971
Contributions paid directly to externally invested funds	(14,765)	(9,666)
Investment income from externally invested funds	(28,708)	970
Investment administration fees on externally invested funds	5,038	4,355
	<u>27,676</u>	<u>36,630</u>
Change in non-cash balances		
Accounts receivable	(495)	(245)
Accounts payable and accrued liabilities	661	(60)
Deferred operating funding	7,726	-
	<u>35,568</u>	<u>36,325</u>
Investing activities		
Transfers from investments to cash	23,299	18,340
Grants and transfers disbursed	(20,199)	(21,520)
Transfers from cash to investments	(8,800)	(44,088)
	<u>(5,700)</u>	<u>(47,268)</u>
Net increase (decrease) in cash	29,868	(10,943)
Cash position, beginning of year	1,894	12,837
Cash position, end of year	<u>\$ 31,762</u>	<u>\$ 1,894</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, 2012

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. First time adoption of Canadian Accounting Standards for Not-for-Profit Organizations

During the year the Organization adopted Canadian Accounting Standards for Not-For-Profit Organizations. These financial statements are the first prepared in accordance with these standards. There has been no change to the statement of financial position, statement of changes in net assets, or to the statement of operations as a result of the adoption of this new accounting framework.

3. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian Accounting Standards for Not-For-Profit Organizations. The significant accounting policies followed in the preparation of these financial statements are summarized below:

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 or 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).

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

3. Significant accounting policies (continued)

(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.

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.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

3. Significant accounting policies (continued)

Grants disbursed

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.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian Accounting Standards for Not-For-Profit Organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these 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

Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, financial assets with actively traded markets are reported at fair value, with any unrealized gains and losses reported in income. All other financial instruments are reported at amortized cost, and tested for impairment at each reporting date. Transaction costs on the acquisition, sale or issue of financial instruments are expensed when incurred.

It is management's opinion that the organization is not exposed to significant currency, credit or interest rate risk arising from these financial transactions.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

4. 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, preserves the purchasing power of the capital, establishes a reserve in the event of future market declines and recovers the cost of administering the funds. The portfolio is structured and managed to achieve its targeted rate of investment return while assuming the lowest possible risk. The Toronto Community Foundation has adopted an active investment approach, whereby the investments referred to below are currently managed by external 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:

	2012	2011
	%	%
Asset Class		
Cash	1	1
Fixed income	32	34
Canadian equities	29	29
U.S. equities	19	14
Other foreign equities	18	20
Alternative investments	-	1
Hedge Fund	1	1
	100	100

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

5. Endowment Fund

The Endowment Fund consists of the following:

	2012	2011
Community Funds		
Funds where grants are distributed at the discretion of the Foundation's Board	\$ 18,051	\$ 3,288
Funds where grants are distributed for use in a field of interest at the discretion of the Foundation's Board	-	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	273,044	235,975
	\$ 291,095	\$ 242,627

The restrictions on the Endowment Fund are as follows:

	2012	2011
Externally endowed	\$ 291,095	\$ 239,263
Internally endowed	-	3,364
	\$ 291,095	\$ 242,627

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

5. Endowment Fund (continued)

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	\$ 8,726	\$ 200	\$ 1,194	\$ -	\$ (173)	\$ -	\$ 9,947
Stan Darling Environmental Education Fund	123,869	23,959	13,821	(6,000)	(2,413)	-	153,236
Andrew and Josephine Griffith Fund	3,364	-	-	-	-	(3,364)	-
Steve and Linda Lowden Fund	103,380	-	12,546	(3,000)	(2,064)	(1,000)	109,862
Smart & Caring Fund (formerly Muskoka Fund)	3,288	14,361	475	-	(74)	-	18,050
	\$ 242,627	\$ 38,520	\$ 28,036	\$ (9,000)	\$ (4,724)	\$ (4,364)	\$ 291,095

6. Restricted Fund

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

	Balance beginning of year	Contributions	Investment Income	Grants	Administration Fees	Inter-fund	Balance end of year
Flowthrough Funds	\$ 10,485	\$ 10,265	\$ 672	\$ (11,199)	\$ (314)	\$ -	\$ 9,909

7. Inter-fund transfers

During 2012 the Foundation received direction to transfer from a donor advised fund \$1,000 to the Operating Fund and direction from the donors of an internally endowed fund to transfer \$3,364 to the Operating Fund.

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MUSKOKA COMMUNITY FOUNDATION

Notes to Financial Statements

Year ended December 31, 2012

8. The Ontario Trillium Foundation Grant

On March 1, 2012 Muskoka Community Foundation entered into a four year funding agreement with The Ontario Trillium Foundation ("Trillium") to assist the Foundation in reaching fundraising targets and help build long-term sustainability for its core operations. Total approved funding over the four year term is \$94,000. During the 2012 fiscal year, the Organization received \$20,500 from Trillium. Of this amount \$12,774 was spent during the year and has been recognized as revenue. As at December 31, 2012, there were unspent funds pursuant to this agreement of \$7,726.

9. Administration fees

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

	2012	2011
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 2,953	\$ 1,542
Charged by the Toronto Community Foundation	1,771	2,571
	<u>4,724</u>	<u>4,113</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	254	158
Charged by the Toronto Community Foundation	60	83
	<u>314</u>	<u>241</u>
	<u>\$ 5,038</u>	<u>\$ 4,354</u>

10. Financial Instruments

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.

11. Comparative Figures

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

See Auditor's Report