

Muskoka Community Foundation
Financial Statements
For the year ended December 31, 2016

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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, 2016, 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, 2016 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, 2017

**Muskoka Community Foundation
Statement of Financial Position**

December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2016	Total 2015
Assets					
Current					
Cash	\$ 60,865	\$ (2,022)	\$ 35,327	\$ 94,170	\$ 45,509
Accounts receivable	-	-	7,377	7,377	7,564
Prepaid expenses	-	-	1,638	1,638	920
	<u>60,865</u>	<u>(2,022)</u>	<u>44,342</u>	<u>103,185</u>	<u>53,993</u>
Investments, at market value (Note 2)	698,649	60,034	-	758,683	745,340
	<u>\$ 759,514</u>	<u>\$ 58,012</u>	<u>\$ 44,342</u>	<u>\$ 861,868</u>	<u>\$ 799,333</u>
Liabilities					
Current					
Accounts payable and accrued liabilities (Note 3)	\$ -	\$ -	\$ 3,984	\$ 3,984	\$ 4,555
Deferred operating grant (Note 4)	-	-	-	-	12,200
	<u>-</u>	<u>-</u>	<u>3,984</u>	<u>3,984</u>	<u>16,755</u>
Fund balances					
Fund balances (Notes 5 & 6)	<u>759,514</u>	<u>58,012</u>	<u>40,358</u>	<u>857,884</u>	<u>782,578</u>
	<u>\$ 759,514</u>	<u>\$ 58,012</u>	<u>\$ 44,342</u>	<u>\$ 861,868</u>	<u>\$ 799,333</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 2016	Endowment Fund	Restricted Fund	Operating Fund	Total 2015
Fund balances, beginning of year	\$ 701,705	\$ 49,790	\$ 31,083	\$ 782,578	\$ 697,123	\$ 37,249	\$ 9,016	\$ 743,388
Excess (deficiency) of revenue over expenses for the year	60,309	6,222	8,775	75,306	15,988	1,635	21,567	39,190
Interfund transfers (Notes 5 & 6)	(2,500)	2,000	500	-	(11,406)	10,906	500	-
Fund balances, end of year	\$ 759,514	\$ 58,012	\$ 40,358	\$ 857,884	\$ 701,705	\$ 49,790	\$ 31,083	\$ 782,578

**Muskoka Community Foundation
Statement of Operations**

For the year ended December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2016	Endowment Fund	Restricted Fund	Operating Fund	Total 2015
Revenue								
Government funding	\$ -	\$ -	\$ 10,123	\$ 10,123	\$ -	\$ -	\$ 24,900	\$ 24,900
Donations								
Non-receipted	5,816	7,152	16,235	29,203	13,589	4,882	4,280	22,751
Receipted	63,664	27,385	6,790	97,839	5,531	9,780	11,499	26,810
Investment income	31,545	2,459	8	34,012	61,249	4,324	-	65,573
Administration fees (Note 7)	(13,916)	(1,413)	6,384	(8,945)	(14,213)	(1,092)	6,235	(9,070)
Event fees	-	-	10,285	10,285	-	-	13,161	13,161
	87,109	35,583	49,825	172,517	66,156	17,894	60,075	144,125
Expenses								
Dues, fees, licences	-	-	450	450	-	-	450	450
Event expenses	-	-	7,026	7,026	-	-	6,449	6,449
Insurance	-	-	1,496	1,496	-	-	1,485	1,485
Office and general	-	-	954	954	-	-	991	991
Printing	-	-	375	375	-	-	43	43
Professional fees	-	-	4,321	4,321	-	-	4,877	4,877
Promotion	-	-	2,408	2,408	-	-	2,755	2,755
Rent	-	-	900	900	-	-	-	-
Staff education and travel expenses	-	-	107	107	-	-	129	129
Telephone	-	-	1,115	1,115	-	-	1,089	1,089
Travel	-	-	-	-	-	-	300	300
Wages and benefits	-	-	21,446	21,446	-	-	19,446	19,446
Website design and maintenance	-	-	452	452	-	-	494	494
	-	-	41,050	41,050	-	-	38,508	38,508
Excess (deficiency) of revenues over expenses before grants disbursed	87,109	35,583	8,775	131,467	66,156	17,894	21,567	105,617
Grants disbursed	(26,800)	(29,361)	-	(56,161)	(50,168)	(16,259)	-	(66,427)
Excess (deficiency) of revenues over expenses for the year	\$ 60,309	\$ 6,222	\$ 8,775	\$ 75,306	\$ 15,988	\$ 1,635	\$ 21,567	\$ 39,190

The accompanying notes are an integral part of these financial statements

Muskoka Community Foundation
Statement of Cash Flows

For the year ended December 31	2016	2015
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses for the year	\$ 75,306	\$ 39,190
Adjustments for		
Investment income earned on externally invested funds	(34,004)	(65,573)
Administrative fees charged to externally invested funds	8,945	9,070
	<u>50,247</u>	<u>(17,313)</u>
 Changes in non-cash working capital balances		
Accounts receivable	187	(3,217)
Prepaid expenses	(718)	(920)
Accounts payable and accrued liabilities	(571)	(1,589)
Deferred operating funding	(12,200)	-
	<u>36,945</u>	<u>(23,039)</u>
 Investing activities		
Withdrawals from externally invested funds	45,796	71,562
Transfers to externally invested funds	(34,080)	(22,735)
	<u>11,716</u>	<u>48,827</u>
 Increase in cash during the year	48,661	25,788
 Cash, beginning of year	<u>45,509</u>	<u>19,721</u>
 Cash, end of year	<u>\$ 94,170</u>	<u>\$ 45,509</u>

The accompanying notes are an integral part of these financial statements

Muskoka Community Foundation

Notes to Financial Statements

December 31, 2016

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, 2016

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, 2016

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:

	2016	2015
Asset Class		
Cash and cash equivalents	4 %	3 %
Fixed income securities	16 %	16 %
Canadian equities	13 %	12 %
U.S. equities	9 %	9 %
Other foreign equities	25 %	26 %
Other investments	33 %	34 %
	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% (2015 - 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 \$Nil (2015 - \$471).

Muskoka Community Foundation Notes to Financial Statements

December 31, 2016

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>2016</u>	<u>2015</u>
Balance , beginning of year	\$ 12,200	\$ 12,200
Contributions received	-	24,500
Less amounts recognized as revenue	(10,123)	(24,500)
Unspent funds repaid to The Ontario Trillium Foundation	<u>(2,077)</u>	<u>-</u>
Balance , end of year	<u>\$ -</u>	<u>\$ 12,200</u>

Muskoka Community Foundation
Notes to Financial Statements

December 31, 2016

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	\$ 323,374	\$ -	\$ 14,271	\$ (9,000)	\$ (6,389)	\$ (2,500)	\$ 319,756
Dara's Fund at Muskoka Community Foundation	43,233	701	1,987	-	(874)	-	45,047
Stan Darling Environmental Education Fund	202,799	6,300	9,309	(13,800)	(4,060)	-	200,548
Lowden Family Fund	111,375	61,865	4,999	(4,000)	(2,176)	-	172,063
	680,781	68,866	30,566	(26,800)	(13,499)	(2,500)	737,414
Community Funds							
Administration Fund	20,923	616	979	-	(418)	-	22,100
	<u>\$ 701,704</u>	<u>\$ 69,482</u>	<u>\$ 31,545</u>	<u>\$ (26,800)</u>	<u>\$ (13,917)</u>	<u>\$ (2,500)</u>	<u>\$ 759,514</u>

Interfund Transfers

During the 2016 fiscal year, the Foundation received direction to transfer \$500 from a donor advised fund to the Council of 50 within the Operating Fund.

During the 2016 fiscal year, the Foundation received direction to transfer \$2,000 from a donor advised fund to the Smart & Caring Muskoka Fund within the Restricted Fund.

Muskoka Community Foundation
Notes to Financial Statements

December 31, 2016

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 Muskoka Fund.

	Balance beginning of year	Contributions	Investment Income	Grants	Administration Fees	Interfund Transfer	Balance end of year
Flowthrough funding	\$ 1,746	\$ 20,465	\$ 124	\$ (18,096)	\$ (472)	\$ -	\$ 3,767
Smart & Caring Muskoka Fund	48,044	14,072	2,335	(11,265)	(941)	2,000	54,245
	<u>\$ 49,790</u>	<u>\$ 34,537</u>	<u>\$ 2,459</u>	<u>\$ (29,361)</u>	<u>\$ (1,413)</u>	<u>\$ 2,000</u>	<u>\$ 58,012</u>

7. Administrative Fees

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

	2016	2015
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 5,568	\$ 5,687
Charged by the Toronto Foundation	8,348	8,526
	<u>13,916</u>	<u>14,213</u>
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	816	548
Charged by the Toronto Foundation	597	544
	<u>1,413</u>	<u>1,092</u>
	<u>\$ 15,329</u>	<u>\$ 15,305</u>