

Muskoka Community Foundation
Financial Statements
For the year ended December 31, 2018

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Independent Auditor's Report

To the Board of Directors of Muskoka Community Foundation

Opinion

We have audited the accompanying financial statements of Muskoka Community Foundation, which comprise the statement of financial position as at December 31, 2018, and the statements of operations, changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2018 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Bracebridge, Ontario
June 25, 2019

Muskoka Community Foundation
Statement of Financial Position

December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2018	Total 2017
Assets					
Current					
Cash	\$ (970)	\$ (1,007)	\$ 30,552	\$ 28,575	\$ 124,137
Accounts receivable	-	-	2,028	2,028	8,684
Prepaid expenses	-	-	1,366	1,366	2,000
	<u>(970)</u>	<u>(1,007)</u>	<u>33,946</u>	<u>31,969</u>	<u>134,821</u>
Investments , at market value (Note 2)	<u>856,522</u>	<u>137,915</u>	<u>-</u>	<u>994,437</u>	<u>929,916</u>
	\$ 855,552	\$ 136,908	\$ 33,946	\$ 1,026,406	\$ 1,064,737
Liabilities					
Current					
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 4,084	\$ 4,084	\$ 4,040
Fund balances					
Fund balances (Notes 3 & 4)	<u>855,552</u>	<u>136,908</u>	<u>29,862</u>	<u>1,022,322</u>	<u>1,060,697</u>
	\$ 855,552	\$ 136,908	\$ 33,946	\$ 1,026,406	\$ 1,064,737

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 2018	Endowment Fund	Restricted Fund	Operating Fund	Total 2017
Fund balances, beginning of year	\$ 872,492	\$ 152,792	\$ 35,413	\$ 1,060,697	\$ 759,514	\$ 58,012	\$ 40,358	\$ 857,884
Excess (deficiency) of revenue over expenses for the year	(16,440)	(15,884)	(6,051)	(38,375)	113,478	94,780	(5,445)	202,813
Interfund transfers (Notes 3 & 4)	(500)	-	500	-	(500)	-	500	-
Fund balances, end of year	\$ 855,552	\$ 136,908	\$ 29,862	\$ 1,022,322	\$ 872,492	\$ 152,792	\$ 35,413	\$ 1,060,697

**Muskoka Community Foundations
Statement of Operations**

For the year ended December 31	Endowment Fund	Restricted Fund	Operating Fund	Total 2018	Endowment Fund	Restricted Fund	Operating Fund	Total 2017
Revenue								
Donations								
Non-receipted	8,116	134	6,644	14,894	5,651	29,385	10,576	45,612
Received	11,500	43,250	3,800	58,550	76,128	140,341	5,888	222,357
Investment income	16,398	(329)	61	16,130	72,249	5,450	10	77,709
Administration fees (Note 5)	(18,954)	(3,359)	-	(22,313)	(16,600)	(4,326)	10,292	(10,634)
Community Engagement Projects								
- fees, sponsorships and grants	-	-	31,845	31,845	-	-	11,312	11,312
	17,060	39,696	42,350	99,106	137,428	170,850	38,078	346,356
Expenses								
Dues, fees, licences	-	-	450	450	-	-	450	450
Event expenses	-	-	7,164	7,164	-	-	8,929	8,929
Insurance	-	-	1,514	1,514	-	-	1,496	1,496
Office and general	-	-	11,748	11,748	-	-	1,337	1,337
Printing	-	-	-	-	-	-	66	66
Professional fees	-	-	4,620	4,620	-	-	4,398	4,398
Promotion	-	-	208	208	-	-	185	185
Rent	-	-	40	40	-	-	2,700	2,700
Staff education and travel expenses	-	-	-	-	-	-	104	104
Telephone	-	-	750	750	-	-	1,199	1,199
Travel	-	-	333	333	-	-	344	344
Wages and benefits	-	-	21,454	21,454	-	-	21,380	21,380
Website design and maintenance	-	-	120	120	-	-	935	935
	-	-	48,401	48,401	-	-	43,523	43,523
Excess (deficiency) of revenues over expenses before grants disbursed	17,060	39,696	(6,051)	50,705	137,428	170,850	(5,445)	302,833
Grants disbursed	(33,500)	(55,580)	-	(89,080)	(23,950)	(76,070)	-	(100,020)
Excess (deficiency) of revenues over expenses for the year	\$ (16,440)	\$ (15,884)	\$ (6,051)	\$ (38,375)	\$ 113,478	\$ 94,780	\$ (5,445)	\$ 202,813

Muskoka Community Foundation
Statement of Cash Flows

For the year ended December 31	2018	2017
Cash provided by (used in)		
Operating activities		
Excess (deficiency) of revenues over expenses for the year	\$ (38,375)	\$ 202,813
Adjustments for		
Investment income earned on externally invested funds	(16,069)	(77,699)
Administrative fees charged to externally invested funds	22,313	10,634
	<u>(32,131)</u>	<u>135,748</u>
 Changes in non-cash working capital balances		
Accounts receivable	6,656	(1,307)
Prepaid expenses	634	(362)
Accounts payable and accrued liabilities	45	55
	<u>(24,796)</u>	<u>134,134</u>
 Investing activities		
Withdrawals from externally invested funds	79,466	64,350
Transfers to externally invested funds	(150,232)	(168,518)
	<u>(70,766)</u>	<u>(104,168)</u>
 Increase (decrease) in cash during the year	(95,562)	29,966
 Cash, beginning of year	124,137	94,171
 Cash, end of year	\$ 28,575	\$ 124,137

The accompanying notes are an integral part of these financial statements

Muskoka Community Foundation

Notes to Financial Statements

December 31, 2018

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.

Muskoka Community Foundation Notes to Financial Statements

December 31, 2018

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.

Muskoka Community Foundation Notes to Financial Statements

December 31, 2018

2. Investments

In 2018, funds managed by the Toronto Foundation were transferred to TD Private Investment Counsel ("TD Wealth") with the same objectives for investment management as the management objectives of the Toronto Foundation.

All of the investments of the Foundation are managed by the TD Wealth under an Investment Pooling Agreement. TD Wealth'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.

Investment income (loss) earned on the investments held by the TD Wealth in this pool is allocated to the Funds based on monthly market values.

Investments held in TD Wealth are measured at market value and consist of the following:

Asset Class	2018	2017
Cash and cash equivalents	4 %	5 %
Fixed income securities	36 %	11 %
Canadian equities	20 %	15 %
U.S. equities	37 %	10 %
Other foreign equities	3 %	29 %
Other investments	- %	30 %
	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% (2017 - 2%) of the market value of most of the Fund balances was made available to cover investment management fees and program and administrative expenses.

Administrative fees charged by TD Wealth are 1.35% on the first \$1,000,000 and 1.10% on the next \$1,000,000.

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

Muskoka Community Foundation Notes to Financial Statements

December 31, 2018

3. 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
Donor Advised Funds							
Cowan Family Fund	\$ 383,516	\$ -	\$ 7,082	\$ (12,900)	\$ (8,244)	\$ (500)	\$ 368,954
Dara's Fund at Muskoka Community Foundation	52,141	9,000	711	(1,800)	(1,231)	-	58,821
Stan Darling Environmental Education Fund	209,333	500	4,697	(12,000)	(4,515)	-	198,015
Goodwin Family Fund	25,373	10,000	430	(800)	(651)	-	34,352
Lowden Family Fund	178,336	-	3,132	(6,000)	(3,852)	-	171,616
	848,699	19,500	16,052	(33,500)	(18,493)	(500)	831,758
Community Funds							
Administration Fund	23,793	114	346	-	(459)	-	23,794
	<u>\$ 872,492</u>	<u>\$ 19,614</u>	<u>\$ 16,398</u>	<u>\$ (33,500)</u>	<u>\$ (18,952)</u>	<u>\$ (500)</u>	<u>\$ 855,552</u>

Interfund Transfers

During the 2018 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, 2018

4. 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	\$ 18,640	\$ 20,000	\$ (127)	\$ (18,800)	\$ (489)	\$ 19,224
Youth Citizenship and Service Fund	99,228	-	679	(10,925)	(2,048)	86,934
Flowthrough funding	-	2,000	-	(2,000)	-	-
Smart & Caring Muskoka Fund	34,925	21,185	(882)	(23,855)	(821)	30,552
Muskoka Youth Mental Health	-	200	-	-	-	200
	\$ 152,793	\$ 43,385	\$ (330)	\$ (55,580)	\$ (3,358)	\$ 136,910

5. Administrative Fees

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

	2018	2017
Administration fees charged to the Endowment Fund		
Charged by the Operating Fund	\$ 6,569	\$ 6,615
Charged by the Toronto Foundation	1,766	9,985
Charged by TD Wealth	10,619	-
	18,954	16,600
Administration fees charged to the Restricted Fund		
Charged by the Operating Fund	1,585	3,677
Charged by the Toronto Foundation	114	649
Charged by the TD Wealth	1,659	-
	3,358	4,326
	\$ 22,312	\$ 20,926