MUSKOKA COMMUNITY FOUNDATION

Financial Statements

Year Ended December 31, 2025

MUSKOKA COMMUNITY FOUNDATION
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Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Chairman and Board of Directors of Muskoka Community Foundation

Qualified Opinion

We have audited the financial statements of Muskoka Community Foundation (the foundation), which comprise the statement of financial position as at December 31, 2025, and the statements of revenues and expenditures, changes in fund balances and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the foundation as at December 31, 2025, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO).

Basis for Qualified Opinion

In common with many not-for-profit organizations, the foundation derives revenue from donations and fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of the foundation. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2025, current assets and net assets as at December 31, 2025.

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 foundation in accordance with 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASNPO, 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 foundation'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 foundation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the foundation'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:

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- 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 foundation'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 foundation'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 foundation 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.

Pahapill and Associates

Huntsville, Ontario
September 1, 2026

Pahapill and Associates Professional Corporation
Chartered Professional Accountants
Authorized to practise public accounting by the
Chartered Professional Accountants of Ontario

MUSKOKA COMMUNITY FOUNDATION

Statement of Financial Position

December 31, 2025

	2025	2024
ASSETS		
CURRENT		
Cash	$ 292,500	$ 95,545
Accounts receivable	11,196	28,301
Prepaid expenses	6,790	-
	310,486	123,846
INVESTMENTS (at market value) *(Note 2)*	2,349,964	2,166,477
	$ 2,660,450	$ 2,290,323
LIABILITIES AND FUND BALANCES		
CURRENT		
Accounts payable and accrued liabilities	$ 6,759	$ 6,060
FUND BALANCES	2,653,691	2,284,263
	$ 2,660,450	$ 2,290,323

ON BEHALF OF THE BOARD

_____ *Director*

_____ *Director*

MUSKOKA COMMUNITY FOUNDATION

Statement of Revenues and Expenditures

Year Ended December 31, 2025

	Endowment Fund	Restricted Fund	Operating Fund	**Total 2025**	Total 2024
REVENUES					
Donations					
Receipted	$ 66,755	$ 255,159	$ 1,000	**$ 322,914**	$ 99,870
Non-receipted	2,769	77,294	22,772	**102,835**	106,080
Investment income	270,547	60,996	8,263	**339,806**	366,985
Administration fees	(18,631)	(8,095)	26,726	**-**	(231)
Community engagement projects - fees sponsorships and grants	-	99,395	-	**99,395**	45,873
	321,440	484,749	58,761	**864,950**	618,577
EXPENSES					
Event expenses	-	59,475	(91)	**59,384**	40,734
Wages and benefits	-	-	34,492	**34,492**	24,757
Investment management fees	18,018	3,902	257	**22,177**	28,572
Advertising and promotion	-	-	21,000	**21,000**	6,222
Office and general	352	3,011	12,667	**16,030**	9,100
Professional fees	-	-	8,138	**8,138**	12,237
Dues, fees, licences	-	-	2,139	**2,139**	957
Insurance	-	-	1,148	**1,148**	1,703
Telephone	-	-	804	**804**	819
Website design and maintenance	-	-	-	**-**	7,338
	18,370	66,388	80,554	**165,312**	132,439
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES FROM OPERATIONS	303,070	418,361	(21,793)	**699,638**	486,138
OTHER ITEMS					
Grants disbursed	(104,354)	(204,914)	(20,942)	**(330,210)**	(293,706)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	$ 198,716	$ 213,447	$ (42,735)	**$ 369,428**	$ 192,432

The accompanying notes are an integral part of these financial statements

MUSKOKA COMMUNITY FOUNDATION

Statement of Changes in Fund Balances

Year Ended December 31, 2025

	Endowment Fund	Restricted Fund	Operating Fund	**Total 2025**	Total 2024
FUND BALANCES - BEGINNING OF YEAR	$ 1,759,724	$ 443,881	$ 80,658	**$ 2,284,263**	$ 2,091,831
Excess of revenues over expenses	198,716	213,447	(42,735)	**369,428**	192,432
FUND BALANCES - END OF YEAR	$ 1,958,440	$ 657,328	$ 37,923	**$ 2,653,691**	$ 2,284,263

The accompanying notes are an integral part of these financial statements

MUSKOKA COMMUNITY FOUNDATION

Statement of Cash Flows

Year Ended December 31, 2025

	2025	2024
OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 369,428	$ 192,432
Item not affecting cash:		
Unrealized (gain) on externally invested funds	(195,232)	(216,004)
	174,196	(23,572)
Changes in non-cash working capital:		
Accounts receivable	17,105	(9,429)
Accounts payable and accrued liabilities	699	1,121
Prepaid expenses	(6,790)	-
	11,014	(8,308)
Cash flow from (used by) operating activities	185,210	(31,880)
INVESTING ACTIVITIES		
Proceeds from disposal of investments	2,281,491	260,159
Purchases of investments	(2,269,746)	(219,241)
Cash flow from investing activities	11,745	40,918
INCREASE IN CASH FLOW	196,955	9,038
Cash - beginning of year	95,545	86,507
CASH - END OF YEAR	$ 292,500	$ 95,545

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

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.

Basis of presentation

The financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNFPO).

Fund accounting

Muskoka Community 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.

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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1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments policy

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.

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.

Interfund transfers

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

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.

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.

Investments

Investments are measured at market value with a cost value of $ 2,154,275 (2024 - $2,153,301).

All gains and losses, including unrealized, from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund that owned the assets.

Ordinary income from investments, receivables, and similar assets is accounted for in the fund owning the assets.

2. INVESTMENTS

All of the investments of the foundation are managed by Conner, Clarks & Lunn Private Capital under a Managed Account Agreement, which permits the foundation's assets to be invested through pooled funds. Conner, Clarks & Lunn Private Capital'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 Conner, Clarks & Lunn Private Capital in this pool is allocated to the Funds based on quarterly market values.

Investments held with Conner, Clarks & Lunn Private Capital are measured at market value and consist of the following:

	2025	2024
Asset class		
Cash and cash equivalents	**-0.2%**	4%
Fixed income securities	**10%**	29%
Canadian equities	**23%**	7%
International equities	**45%**	60%
Alternative investments	**7%**	-
Hedge strategies	**15%**	-
	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% (2024 - 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 Conner, Clarks & Lunn Private Capital are 0.90% on the first $2,000,000, 0.60% on the next $3,000,000, and 0.45% on the remaining balance.

The foundation is subject to currency risk, interest rate risk and other price risk with respect to investments held in pooled funds managed by Conner, Clarks & Lunn Private Capital.

3. COMPARATIVE FIGURES

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

4. FINANCIAL INSTRUMENTS

The foundation is exposed to various risks through its financial instruments and has a comprehensive risk management framework to monitor, evaluate and manage these risks. The following analysis provides information about the foundation's risk exposure and concentration as of December 31, 2025.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The foundation is exposed to credit risk from long-term investments. The foundation manages this risk by investing in a diversified portfolio of high-quality, interest-bearing instruments, equities, and other securities in accordance with its Board-approved investment policy.

Currency risk

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4. FINANCIAL INSTRUMENTS *(continued)*

Currency risk is the risk to the foundation's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The foundation is exposed to foreign currency exchange risk with respect to its investments denominated in foreign currencies, including the underlying investments of its long-term investments denominated in foreign currencies, because the fair value and future cash flows will fluctuate due to the changes in the relative value of foreign currencies against the Canadian dollar.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The foundation is exposed to interest rate risk with respect to its short-term and fixed income investments and pooled funds that hold fixed income securities because the fair value will fluctuate due to changes in market interest rates.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The foundation is exposed to other price risk through its investment in equity securities.

Unless otherwise noted, it is management’s opinion that the foundation is not exposed to significant other price risks arising from these financial instruments.

5. ENDOWMENT FUND

The Endowment Fund, which is externally endowed in perpetuity, consists of the following:

1. **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.
2. **Community Funds**
   Funds where grants have been designated for operations by the donors.

	Balance beginning of year	Contributions received	Investment Income (loss)	Grants disbursed	Administration fees	Bank Charges	**Balance end of year**
Donor Advised Funds							
Cowan Family Fund	$ 456,994	$ -	$ 66,273	$ (23,000)	$ (9,101)	$ -	**$ 491,166**
Dara's Fund at Muskoka Community Foundation	81,923	-	12,450	-	(1,676)	-	**92,697**
Stan Darling Environmental Education Fund	247,916	-	37,541	(12,000)	(5,032)	-	**268,425**
Goodwin Family Fund	80,276	-	11,473	(4,000)	(1,555)	-	**86,194**
Lowden Family Fund	370,000	-	56,229	(2,900)	(7,555)	-	**415,774**
Ufflemann Family Fund	181,115	19,077	27,010	(9,000)	(3,643)	(220)	**214,339**
Erb Family Fund	191,332	-	26,501	(30,000)	(3,724)	-	**184,109**
Willis Bursary Fund	62,614	2,129	8,157	(16,000)	(1,106)	(59)	**55,735**
Sam's Fund	34,759	5,000	5,671	(1,800)	(756)	-	**42,874**
Stillpoint Fund	-	24,983	6	-	(6)	-	**24,983**
Sale Environment Fund	5,000	5,000	40	-	(10)	-	**10,030**
Donor Advised Funds total	1,711,929	56,189	251,351	(98,700)	(34,164)	(279)	**1,886,326**
Community Funds							
Administration Fund	47,295	13,335	19,116	(5,654)	(2,477)	(53)	**71,562**
Council of 50 Fund	500	-	80	-	(8)	(20)	**552**
Community Funds total	47,795	13,335	19,196	(5,654)	(2,485)	(73)	**72,114**
Grand Total	$ 1,759,724	$ 69,524	$ 270,547	$ (104,354)	$ (36,649)	$ (352)	**$ 1,958,440**

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	Event Revenue	Investment Income (loss)	Grants	Administration Fees	Event Expenses	Bank Charges	**Balance end of year**
South and Central Almaguin Educational Award Fund	$ 33,141	$ 19,961	$ -	$ 2,808	$ (20,000)	$ (614)	$ -	$ (400)	**$ 34,896**
Youth Citizenship and Service Fund	65,777	-	-	9,980	(1,595)	(2,033)	-	-	**72,129**
Flowthrough funding	13,530	2,313	-	218	(1,948)	(17)	-	(20)	**14,076**
Muskoka Youth Mental Health	19,243	240	-	1,787	(2,000)	(400)	-	(9)	**18,861**
Muskoka Strong	28,208	-	-	4,359	-	(879)	-	-	**31,688**
Willis flowthrough funding	39,470	-	-	6,480	-	(1,369)	-	-	**44,581**
YWCA Muskoka Legacy Fund	21,823	-	-	3,375	(5,000)	(688)	-	-	**19,510**
Muskoka Parry Sound Indigenous Bursary Fund	33,115	-	-	4,850	-	(951)	-	-	**37,014**
Dr. William Monk Fund	108,748	250	-	10,342	(101,700)	(2,318)	-	(7)	**15,315**
Parry Sound Muskoka Community Fund	-	98,770	99,395	4,412	(22,940)	(1,248)	(59,475)	(2,317)	**116,597**
Joseph and Joan Neveu Fund	-	50,000	-	3,806	-	(754)	-	-	**53,052**
Wansbrough Family Fund	-	38,750	-	2,630	(10,000)	(432)	-	-	**30,948**
RAMP Flowthrough Fund	29,699	700	-	2,481	(3,000)	(100)	-	(41)	**29,739**
Feed Muskoka Fund	29,329	5,695	-	705	(8,050)	-	-	(10)	**27,669**
DOC ROB Fund	8,415	8,898	-	91	(6,500)	-	-	(149)	**10,755**
Lake of Bays Community Fund	6,198	93,012	-	2,602	(15,250)	(169)	-	-	**86,393**
Fitt Gym Fund	7,185	13,864	-	70	(6,931)	(25)	-	(58)	**14,105**
	$ 443,881	$ 332,453	$ 99,395	$ 60,996	$ (204,914)	$ (11,997)	$ (59,475)	$ (3,011)	**$ 657,328**