

**The Temagami Community
Foundation
Financial Statements
For the year ended December 31, 2012**

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Financial Statements
For the year ended December 31, 2012

Contents

Independent Auditor's Report	2 - 3
Financial Statements	
Statement of Financial Position	4
Statement of Operations and Changes in Fund Balances	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 12



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Independent Auditor's Report

To the Members of the The Temagami Community Foundation

We have audited the accompanying financial statements of The Temagami Community Foundation which comprise the statement of financial position as at December 31, 2012 and the statements of operations and changes in fund balances and statement of 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 qualified audit opinion.

Basis for Qualified Opinion

In common with many charitable organizations, The Temagami Community 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 fundraising revenue, excess of revenues over expenses and cash flows from operations for the year ended December 31, 2012, current assets as at December 31, 2012 and fund balances as at January 1, 2012 and December 31, 2012.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of The Temagami 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 The Temagami 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, 2011 and January 1, 2011, and the statements of operations and changes in fund balances, statement of operating funds, statement of restricted funds and statement of cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

BDO Canada LLP

Chartered Accountants, Licensed Public Accountants

North Bay, Ontario
July 17, 2013

**The Temagami Community Foundation
Statement of Financial Position**

December 31	2012	2011	January 1, 2011
Assets			
Current			
Cash and cash equivalents	\$ 76,562	\$ 55,505	\$ 75,600
Accounts receivable	613	1,508	3,610
	<u>77,175</u>	<u>57,013</u>	<u>79,210</u>
Investments (Note 3)	<u>292,997</u>	<u>274,438</u>	<u>255,032</u>
	<u>\$ 370,172</u>	<u>\$ 331,451</u>	<u>\$ 334,242</u>

Liabilities and Fund Balances

Current			
Accounts payable and accrued liabilities (Note 4)	\$ 4,211	\$ 2,849	\$ 6,245
Fund balances			
Externally restricted (Note 6)	356,733	317,970	305,777
Operating	9,228	10,632	22,220
	<u>365,961</u>	<u>328,602</u>	<u>327,997</u>
	<u>\$ 370,172</u>	<u>\$ 331,451</u>	<u>\$ 334,242</u>

On behalf of the Board:

_____ Director

_____ Director

The Temagami Community Foundation Statement of Operations and Changes in Fund Balances

For the year ended December 31

	Externally Restricted 2012	2011	Operating 2012	2011	Total 2012	Total 2011
Revenues						
Fundraising events	\$ -	\$ -	\$ 13,863	\$ 2,837	\$ 13,863	\$ 2,837
Contributions	35,529	36,645	1,940	2,346	37,469	38,991
Administration fees	-	-	767	866	767	866
Investment income (loss):						
Unrealized gain (loss) on investments	16,404	(11,680)	-	-	16,404	(11,680)
Interest and dividends	1,919	7,674	-	-	1,919	7,674
Realized gain on sale of investments	349	1,950	-	-	349	1,950
	54,201	34,589	16,570	6,049	70,771	40,638
Expenses						
Other administration expenses (Note 7)	-	-	15,096	20,286	15,096	20,286
Administration fees	767	866	-	-	767	866
Salaries and benefits	-	-	6,698	-	6,698	-
Event expenses	-	-	1,204	2,216	1,204	2,216
Investment management fees	1,298	1,029	-	-	1,298	1,029
	2,065	1,895	22,998	22,502	25,063	24,397
Excess (deficiency) of revenues before other items	52,136	32,694	(6,428)	(16,453)	45,708	16,241
Grants (Note 5)	8,349	15,636	-	-	8,349	15,636
Excess (deficiency) of revenues over expenses	43,787	17,058	(6,428)	(16,453)	37,359	605
Fund Balances, beginning of year	317,970	305,777	10,632	22,220	328,602	327,997
Transfer (Note 6)	(5,024)	(4,865)	5,024	4,865	-	-
Fund Balances, end of year	\$ 356,733	\$ 317,970	\$ 9,228	\$ 10,632	\$ 365,961	\$ 328,602

The accompanying notes are an integral part of these financial statements.

The Temagami Community Foundation Statement of Cash Flows

For the year ended December 31	2012	2011
Cash provided by (used in)		
Operating activities		
Excess of revenues over expenses	\$ 37,359	\$ 605
Changes in non-cash working capital balances:		
Accounts receivable	895	2,102
Accounts payable and accrued liabilities	1,362	(3,397)
	39,616	(690)
Investing activities		
Decrease in investments	(18,559)	(19,405)
Increase (decrease) in cash and cash equivalents during the year	21,057	(20,095)
Cash and cash equivalents, beginning of year	55,505	75,600
Cash and cash equivalents, end of year	\$ 76,562	\$ 55,505

The accompanying notes are an integral part of these financial statements.

The Temagami Community Foundation

Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies

Nature and Purpose of Organization

The Temagami Community Foundation (the "Foundation") is a public foundation created to promote the well-being of members of the Temagami community by supporting cultural, artistic and educational activities; responsible stewardship of the natural heritage; sustainable community economic development and other charitable projects. The Foundation is incorporated without share capital under the laws of the Canada Corporations Act and is exempt from income taxes under Section 149.1 of the Income Tax Act.

Basis of Accounting

The financial statements have been prepared using Canadian accounting standards for not-for-profit organizations.

Fund Accounting

The Foundation follows the restricted fund method of accounting for contributions.

The Operating Fund comprises unrestricted resources available for immediate purposes at the discretion of the Board.

The Externally Restricted Fund comprises amounts that are restricted by the donor to be expended for a specified purpose.

Investment income is allocated to each donor advised fund at the rate of 5% per annum and to the Council of 100 Fund at the rate of 4% per annum as established by the Board. An administration fee of 1% of the value of the fund (minimum \$100) is charged to each donor advised endowed fund annually, and an administration fee of 2% of the value of disbursements is charged to each donor advised non-endowed (flow-through) fund annually.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, bank balances and investments with a maturity of ninety days or less from the date of acquisition.

The Temagami Community Foundation

Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies (continued)

Financial Instruments	Financial instruments are recorded at fair value when acquired or issued. In subsequent periods, equities traded in an active market are reported at fair value, with any unrealized gains and losses reported in operations, other than financial instruments related to restricted funds. In addition, all bonds and guaranteed investment certificates have been designated to be in the fair value category, with gains and losses relating to the restricted funds recorded directly in the restricted fund. All other financial instruments are reported at cost or amortized cost less impairment, if applicable. Financial assets are tested for impairment when changes in circumstances indicate the asset could be impaired. Transaction costs on the acquisition, sale or issue of financial instruments are expensed for those items remeasured at fair value at each statement of financial position date and charged to the financial instrument for those measured at amortized cost.
Capital Assets	Capital assets are charged to operations when acquired.
Revenue Recognition	<p>The Foundation follows the restricted fund method of accounting for contributions. Externally restricted contributions and gains (losses) on the sale of the investments are recorded as revenue in the Externally Restricted Fund.</p> <p>Unrestricted contributions are recognized as revenue in the Operating Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.</p> <p>Endowment contributions are recognized as revenue of the applicable Endowment Fund in the current period.</p> <p>Restricted investment income is recognized as revenue in the applicable restricted fund. Restricted investment income that must be maintained as an endowment is recognized in the applicable restricted fund. Unrestricted investment income is recognized as revenue when earned in the operating fund.</p> <p>Pledges to donate funds are not included in revenue until the funds are received.</p>

The Temagami Community Foundation

Notes to Financial Statements

December 31, 2012

1. Significant Accounting Policies (continued)

**Contributed Materials
and Services**

The work of the Foundation is dependent on the voluntary services of many members and others. Since these services are not normally purchased by the Foundation and because of the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Use of Estimates

The preparation of the financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. These estimates are periodically reviewed and, as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

The Temagami Community Foundation Notes to Financial Statements

December 31, 2012

2. First-Time Adoption

Effective January 1, 2012, the Foundation adopted the new requirements of the new accounting framework, Canadian accounting standards for not-for-profit organizations (ASNPO) or Part III of the requirements of the Canadian Institute of Chartered Accountants (CICA) Handbook - Accounting. These are the Foundation's first financial statements prepared in accordance with this framework and the transitional provisions of Section 1501, First-time Adoption have been applied. Section 1501 requires retrospective application of the accounting standards with certain elective exemptions and mandatory exceptions. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information presented in these financial statements for the year ended December 31, 2011 and in the preparation of an opening ASNPO statement of financial position at the date of transition of January 1, 2011.

The Foundation issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by the CICA Handbook - Accounting Part V - Pre-changeover Accounting Standards. The adoption of ASNPO did not result in adjustments to the previously reported assets, liabilities, fund balances, excess of revenue over expenses and cash flows of the Foundation.

3. Investments

	<u>2012</u>	<u>2011</u>
Fixed income	\$ 106,286	\$ 112,167
Equities	<u>186,711</u>	<u>162,271</u>
	<u>\$ 292,997</u>	<u>\$ 274,438</u>

Fixed income investments consist of units held in the BMO Harris Canadian Bond Portfolio mutual fund of 72% (2011 - 74%), guaranteed investment certificate of 28% (2011 - 26%). The guaranteed investment certificate bears interest at 1.75%, and matures April, 2017. Equity investments consist of units held in various BMO Harris mutual funds.

4. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities is \$1,466 (2011 - \$Nil) in government remittances payable.

The Temagami Community Foundation Notes to Financial Statements

December 31, 2012

5. Grants

Project/Event	Qualified Donee	2012	2011
Summer Art Camp	Temagami First Nation	\$ 5,508	\$ 4,546
Mark Corbett Scholarship	Kim Renaud Fund	2,650	-
Camper bursary	Foster Family Fund	191	-
MRI machine	North Bay Hospital	-	5,000
MRI machine	New Liskeard Hospital	-	5,000
Tree tag project	Temagami First Nation	-	3,000
Elders portrait project	Municipality of Temagami	-	1,500
A Different World project ⁽ⁱ⁾	Municipality of Temagami	-	(3,410)
		<u>\$ 8,349</u>	<u>\$ 15,636</u>

(i) This amount represents a return of an unspent grant relating to 2008.

6. Externally Restricted Fund

Fund	Balance, beginning of of year	Donations	Investment income	Grants	Adminis- tration fee	Transfers	Balance, end of year
Endowed:							
Kim Renaud	\$ 27,125	\$ 1,095	\$ 1,356	\$ (2,650)	\$ (271)	-	\$ 26,655
Tracy Gauverau	22,359	1,195	1,118	-	(224)	-	24,448
Laura McKenzie	27,187	-	1,359	-	(272)	-	28,274
Council of 100	125,595	9,961	6,280	-	-	(5,024)	136,812
General	98,382	6,643	7,261	-	-	-	112,286
Other:							
John Guppy	2,040	-	-	-	-	-	2,040
Lorne Pacey	1,029	-	-	-	-	-	1,029
Foster Family	191	-	-	(191)	-	-	-
Summer Art Camp	6,991	6,000	-	(5,508)	-	-	7,483
St. Ursula's	3,275	-	-	-	-	-	3,275
Bear Island Kinds	2,780	-	-	-	-	-	2,780
Temagami Lions	1,016	10,635	-	-	-	-	11,651
	<u>\$ 317,970</u>	<u>\$ 35,529</u>	<u>\$ 17,374</u>	<u>\$ (8,349)</u>	<u>\$ (767)</u>	<u>\$ (5,024)</u>	<u>\$ 356,733</u>

The Temagami Community Foundation Notes to Financial Statements

December 31, 2012

7. Other Administration Expenses

	<u>2012</u>	<u>2011</u>
Telephone and internet	\$ 4,649	\$ 2,886
Legal and audit	2,686	3,991
Conference attendance	2,684	7,541
Board meetings and travel	1,907	1,989
Memberships and conferences	1,557	1,238
Office and miscellaneous	788	2,102
Interest and bank charges	498	473
Newsletters and brochures	327	66
	<u>\$ 15,096</u>	<u>20,286</u>

8. Financial Instrument Risk

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Foundation's cash and cash equivalents and short-term investments are all held at major financial institutions. The Foundation maintains cash and cash equivalents within federally insured limits, mitigating the credit risk faced by the Foundation. The Foundation is also exposed to credit risk arising from its accounts receivable.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Foundation is exposed to interest rate risk arising from the possibility that changes in interest rates will affect the value of fixed income denominated investments.

Market Risk

The Foundation is exposed to fluctuations in equity markets on its short-term investments.

There have been no changes to the Foundation's financial instrument risk exposure from the prior year